



## Audit and Governance Committee

Members of the public are welcome to attend and listen to the discussion of items in the "open" part of the meeting. Please see notes at end of agenda concerning public rights to speak and ask questions.



The Audit and Governance Committee meets in the Court Room of the Town Hall which is located on the ground floor. Entrance is via the main door or access ramp at the front of the Town Hall. Parking bays for blue badge holders are available in front of the Town Hall and in the car park at the rear of the Town Hall.



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**MEMBERS:** Councillor Ungar (Chairman); Councillor Mattock (Deputy-Chairman); Councillors Belsey, Cooke, Harris, Heaps, Taylor and Tester

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## Agenda

- 1 Minutes of the meeting held on 4 December 2013 - Previously circulated.**
- 2 Apologies for absence.**
- 3 Declarations of Disclosable Pecuniary Interests (DPIs) by members as required under Section 31 of the Localism Act and of other interests as required by the Code of Conduct (please see note at end of agenda).**
- 4 Questions by members of the public.**

On matters not already included on the agenda and for which prior written notice has been given (total time allowed 15 minutes).

**5 Urgent items of business.**

The Chairman to notify the Committee of any items of urgent business to be added to the agenda.

**6 Right to address the meeting/order of business.**

The Chairman to report any requests received to address the Committee from a member of the public or from a Councillor in respect of an item listed below and to invite the Committee to consider taking such items at the commencement of the meeting.

**7 Update: Members and Training.** (Pages 1 - 20)

Report of Strategic Organisational Development Manager.

**8 Update: Members and Standards.** (Pages 21 - 24)

Report of Monitoring Officer.

**9 Update: The Regulation of Investigatory Powers Act (RIPA) and related legislation.** (Pages 25 - 28)

Report of Monitoring Officer.

**10 Grants Report 2012/13.** (Pages 29 - 38)

Report of External Auditors BDO.

**11 Planning Letter 2014/15.** (Pages 39 - 42)

Report of External Auditors BDO.

**12 Audit Plan 2013/14.** (Pages 43 - 54)

Report of External Auditors BDO.

**13 Internal Audit Report to 31st December 2013.** (Pages 55 - 134)

Report of Internal Audit Manager.

**14 Draft Internal Audit Plan for 2014/15.** (Pages 135 - 146)

Report of Internal Audit Manager.

**Inspection of Background Papers** – Please see contact details listed in each report.

**Councillor Right of Address** - Councillors wishing to address the meeting who are not members of the Committee must notify the Chairman in advance.

**Public Right of Address** – Requests by members of the public to speak on a matter which is listed in this agenda must be **received** in writing by no later than 12 Noon, 2 working days before the meeting e.g. if the meeting is on a Tuesday, received by 12 Noon on the preceding Friday). The request should be made to Local Democracy at the address listed below. The request may be made by letter, fax or e-mail. For further details on the rules about speaking at meetings please contact Local Democracy.

**Disclosure of interests** - Members should declare their interest in a matter at the beginning of the meeting, and again, at the point at which that agenda item is introduced.

Members must declare the existence and nature of any interest.

In the case of a DPI, if the interest is not registered (nor the subject of a pending notification) details of the nature of the interest must be reported to the meeting by the member and subsequently notified in writing to the Monitoring Officer within 28 days.

If a member has a DPI or other prejudicial interest he/she must leave the room when the matter is being considered (unless he/she has obtained a dispensation). If a member has a DPI he/she may not make representations first.

## Further Information

Councillor contact details, committee membership lists and other related information is also available from Local Democracy.

**Local Democracy**, 1 Grove Road, Eastbourne, BN21 4TW  
Tel: (01323) 415021/5023 Minicom: (01323) 415111, Fax: (01323) 410322  
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# Agenda Item 7

<b>Body:</b>	<b>AUDIT AND GOVERNANCE COMMITTEE</b>
<b>Date:</b>	<b>12 March 2014</b>
<b>Subject:</b>	<b>Members and training: an update</b>
<b>Report Of:</b>	<b>Becky Cooke</b>
<b>Ward(s)</b>	All
<b>Purpose</b>	To assist the Audit and Governance Committee in fulfilling its responsibilities to review the learning and development activities undertaken by members
<b>Recommendations:</b>	That the Committee note the following: <ul style="list-style-type: none"><li>• The member development report and the information made available to it on the availability of and evaluation of learning and development during 2013</li><li>• The key learning dates set aside for in-house events in 2014/15</li><li>• The training map which details learning activities aligned to the Political Skills framework</li></ul>
<b>Contact:</b>	Becky Cooke, Strategic Organisational Development Manager 01323 415106

## **1.0 Background**

1.1 Members will be aware that this Committee' remit includes considering and approving the plans and arrangements for member development. This topic has arisen in the context of this Committee's interest in member training on standards matters, and is in addition to the Committee's responsibility to consider any other matter relevant to the role of or support for members and to make recommendations to Cabinet or Council where necessary.

## **2.0 Report on Member Development during the 2013 calendar year**

2.1 Members are directed to the attached Member Development Report 2013, which outlines the structures which have been put in place to support and develop elected members.

2.2 Appendices A, B and C respectively outline the learning activities which took place during 2013 and propose a calendar for learning events in-house during 2014-2015, as well as providing a training map for learning activities which are available through the Political Skills framework.

2.3 Members should note that the development of a combined OLLIE and Modern Councillor as learning tools is still underway. It is anticipated that the relevance of both as tools for learning development will become ever more apparent during 2014, and will provide a welcome addition to face to face learning and development opportunities.

2.4 The Full Council Member Briefings and seminars on topical matters will

continue to be an ongoing feature of the calendar. These short information laden sessions promote dialogue between Councillors and managers/senior managers, and provide timely access to Corporate initiatives and topical issues.

### **3.0 Summary**

3.1 Audit and Governance Committee is invited to support a future focus on encouraging and supporting Members to utilise electronic learning resources in addition to the calendar of learning events.

By adopting a blended learning approach and by promoting what is available to access I am confident that this will encourage engagement and that we will be able to respond to the different needs and availability of councillors in 2014/15 and beyond.

### **4.0 Consultation**

4.1 There has been no consultation.

### **5.0 Resource Implications**

5.1 None.

### **6.0 Financial**

6.1 None.

### **7.0 Staffing**

7.1 None.

### **8.0 Conclusion**

8.1 This report updates the Committee and assists it in discharging its responsibilities to review the arrangements which have been put in place to facilitate member support and development. The Committee is asked to note the review of the last year's learning and development alongside the arrangements in place for this calendar year.

Planning for the Member Development Plan 2015 to 2020 and the programme of induction and training for 2015 will commence during 2014. It is proposed to report back in December 2015 with a draft plan.

**Becky Cooke, Strategic Organisational Development Manager**

#### **Appendices:**

Member Development Report

Appendices A, B and C:

- Evaluation of learning activity during 2013
- Proposed calendar for in-house events during 2014/15
- Training Map

## **Member Development Report 2013**

### **1.0 Main Activities**

#### **Planning and Evaluation**

- 1.1 The Local Government Association branded Political Skills' framework, has been adopted as a benchmark for all Member roles within the organisation and continues to be used to inform performance management corporately.
- 1.2 The skills framework sets out the key knowledge and skills needed to support new and experienced councillors to be effective in their role. It aims to provide a foundation for the support and development for our elected members.
- 1.3 Annual reviews are promoted for Council Members to look at current and desired levels of skill and comfort against the framework.
- 1.4 These are self-reflective learning reviews based on each of the Political Skills Framework skill sets that can be used by councillors to identify their own areas of strength and areas for development to be effective in their role.
- 1.5 Group leaders discuss and review skills' levels with individuals and, where relevant, outcomes of discussions are used to provide Member learning vehicles and address training needs. Development activities do not always form part of a formal training course. Other methods include reading; self study workbooks; regional/national seminars; audio CDs; research time; on-line training courses; visits; project work; and shadowing.
- 1.6 Individual development which has involved formal sessions has included attendance at the Leadership Academy's 'Making decisions in line with planning policy' and the Leadership Development Academy programme residential modules.
- 1.7 Agile working has become increasingly the norm. The Council is provided with a mixture of in-house workshops, external courses, distance learning and e-learning activities to give a balanced approach.
- 1.8 InSite, the EBC intranet, has pages specifically providing information and learning resources for Councillors.
- 1.9 Evaluation of training is a regular and ongoing feature and Members continue to provide event feedback by completing immediate post activity review forms. The key feedback has been obtained for 2013 sessions is detailed in Appendix A.

### **2.0 Introduction**

- 2.1 At the heart of our Corporate Plan is a commitment to empowering and developing people. The Member Development approach in

Eastbourne:

- Invests in measurable learning and development opportunities to improve understanding and performance
- Provides cost effective framework and training to meet Members needs.
- Researches, trials and implements varied and cost effective ways of learning such as e-learning.
- Improves intranet usage for development activities and information links.
- Delivers programmes that sustain the culture and effective operation of our organisation and people

2.2 The Council is provided with a mixture of in-house workshops, external courses and learning materials on the intranet to give a balanced approach.

2.3 Compulsory Modules:

Certain committee work requires designated members to participate in training sessions annually.

Licensing training sessions are arranged when there are updates or changes to the Licensing Act. Where appropriate, updates are provided or training is completed at General Licensing Committee.

Planning seminars are planned across the year and the content is confirmed near to the time of the session to ensure the content covers the latest updates or issues.

2.4 Self Selection:

A majority of learning events are available on a self-selection basis to Councillors. They self select or agree nominations with Leaders to take up such opportunities.

3.0 **Context for 2014/15**

3.1 In-house workshops

Full Council Member Briefing Sessions will continue to be planned over the course of the year to enable updates by members of CMT on relevant corporate and community matters relevant at the time. All Councillors are invited to attend these sessions.

3.2 Departmental requests to commission or deliver Member Development activities will continue to identify learning outcomes against service and corporate objectives.

3.3 Appendix B outlines the proposed calendar for in-house events for 2014/15.

3.4 Distance learning

There is a Member Development area on the EBC intranet (InSite). This gives access to a suite of professional Workbooks developed by the Local Government Association. These cover a variety of



subjects relevant to the roles of Members in a busy Council. These workbooks provide distance learning materials which can be accessed and used in the individual's own time and at a pace to suit themselves. Each workbook has been designed as a stand alone unit that should take two to three hours to complete.

3.5 e-learning

The Council subscribed to Modern Councillor in preparation for providing easily accessible learning activity following the 2011 local elections. Modern Councillor is an online learning resource which consists of a suite of modules covering topics such as 'Your role as a Councillor' and 'Community Leadership'. These provided an effective introduction to the role.

3.6 Modern Councillor is useful to Councillors when they are first elected to the role and is easily accessible if a Councillor wishes to complete refresher training. There were seventeen modules in 2011 and the number has subsequently reduced and there are currently eleven modules available. There are no plans by Learning Pool to develop further sessions at this point and therefore it has limited value to established Councillors except as refresher training.

3.7 The plan for 2014/15 is to develop the e-learning training offer available to Members by providing access to a greater number of online training sessions.

3.8 Currently employees have access to e-learning via OLLIE (On Line Learning In Eastbourne). This is a tool that enables Officers to access "e-learning" training via the internet. Many of the OLLIE sessions take no more than 30 to 45 minutes to complete. The courses which have been developed include business skills and communication skills which are also relevant to Councillors.

3.9 The intention is to provide an area on OLLIE where e-learning sessions which are relevant to Councillors are stored. There will be a selection page with suggested e-learning, some already available on OLLIE and any bespoke sessions which are developed. The Councillor specific Modern Councillor sessions will also be made accessible in the same Councillor area. The sessions will all be in one place and Councillors will be able to access them from any computer via the internet and without the requirement to log on to the extranet.

3.10 Appendix C summarises the learning activities available to the Council which are aligned to the Political Skills framework.

4.0 **Appendices**

4.1 Appendix A: Evaluation of learning activity during 2013

4.2 Appendix B: Proposed calendar for in-house events for 2014/15.

4.3 Appendix C: Training Map - learning activities available which are aligned to the Political Skills framework.

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Details of the sessions, feedback received and the number of attendees are summarised below.

Attendees are asked to complete a short evaluation form and rate the effectiveness of the session in meeting its objectives on a scale of 1 to 4. 1= not really effective; 2= Fairly effective; 3= Effective; 4= Excellent.

<b>Date session held</b>	<b>Session</b>	<b>Rating out of 4 for effectiveness in meeting the objectives, where available</b>	<b>Number of attendees</b>
14/01/2013	<p><b>Licensing Committee training</b>            Overview of the Gambling Act.            Revised Gambling Policy (Statement of Principles) 2013-2016.</p> <p>Procedural matters</p>		10
29/01/2013	<p><b>Full Council Member Briefing</b>            IESE presentation on shared procurement service</p> <p>It covered:</p> <p>The iESE Journey            The role of the mutual model            What we are trying to achieve            Progress since May 2012            Informal discussion and feedback</p>	<p>3.2</p> <p>Attendees considered the explanation of how IESE works the most useful and that it was a very interesting briefing.</p>	12
26/02/2013	<p><b>Planning training</b></p> <ul style="list-style-type: none"> <li>• Core Strategy</li> <li>• Affordable Housing</li> </ul>		6

	<ul style="list-style-type: none"> <li>• Sustainable Buildings Design</li> <li>• Community Infrastructure Levy</li> <li>• Changes to Permitted Development for commercial floor space.</li> <li>• Customer First</li> </ul>		
18/03/2013	<p><b>Licensing Committee training</b> Changes made to Temporary Event Notices (TEN), as amended by the Police Reform and Social Responsibility Act 2011.</p>		10
25/03/2013	<p><b>Full Council Member Briefing</b> Future Model</p> <p>An opportunity for councillors to meet the new Customer First management team and see some working examples of how the new teams would work. Example services taken from Phase One of the Future Model implementation and demonstration of how they would be delivered by the new teams using the new technology.</p>		16
15/05/2013	<p><b>Crematorium Tour</b></p> <p>There had been extensive building and improvement works at the crematorium which has included the installation of mercury abatement equipment in a purpose built extension and the replacement of the three old cremators to include one that will accept larger coffins.</p> <p>Councillors were invited to visit the crematorium to</p>		5

	tour the new facilities.		
17/05/2013	<p><b>Briefing on the Asset Challenge</b></p> <p>An opportunity to understand the thinking behind the May Cabinet Report on two key work streams:-</p> <ul style="list-style-type: none"> <li>• Why an Asset Challenge is necessary and how the evidence will be gathered to make decisions on which assets are appropriate for transferring to other bodies</li> <li>• Considering how the Council may move to a Corporate Landlord model to manage those assets that are retained.</li> </ul>	3	8
20/05/2013	<p><b>Full Council Member Briefing</b></p> <p>Terminus Road Improvement Project</p> <p>The County Council and the Borough Council worked in partnership to prepare improvement plans for the section of Terminus Road between the railway station and Bankers Corner. An initial consultation was carried out on the principle of a scheme. ESCC and EBC had designed the proposal in more detail and the briefing was the opportunity to for Councillors to see the latest scheme before the next</p>	2.5	14

	public consultation.		
12/06/2013	<p><b>Planning training</b></p> <p>Briefing Session on the changes to Permitted Development rights.</p>	<p>3.5</p> <p>Attendees found the session very worthwhile and considered the debate and the questions and answers most useful.</p>	<p>10 Councillors attended the briefing, 3 others were briefed as part of another meeting.</p>
17/06/2013	<p><b>Equality Analysis training</b></p> <p>The public sector equality duty and equality and fairness analysis.</p> <p>Public Sector Equality Duty (PSED) and case law arising from challenges against local authorities, where their non-compliance of the PSED is cited. Aspects of the 'law of consultation' and why this is important.</p>	<p>3.3</p> <p>Attendees found the session extremely useful and commented on the depth of knowledge of the presenters and usefulness of the case studies.</p> <p>One attendee believed fewer slides could have been used.</p>	<p>13</p>
1/08/2013	<p><b>Designated Person Training</b></p> <p>Delivered in partnership with EHL on the role of 'designated person' under the Localism Act. Covered the Councillor's role in receiving complaints about social housing and what to do with them.</p>	<p>2.8</p> <p>The responses to questions clarified many points for Councillors and they found it effective for understanding who to go to for help and advice should they require</p>	<p>13</p>

		it. The handouts were considered helpful.	
10/09/2013	<b>Planning seminar</b>  Recent Appeal Decision: A look at some recent cases to see if there are any issues arising from the decisions made.		10
24/09/2013	<b>Full Council Member Briefing</b>  Visitor Economy Study  A significant research project was commissioned earlier in the year about the Visitor Economy. The consultants who carried out the survey presented their findings.		9
26/09/2013	<b>Audit and Governance Training</b>  Training provided for the Audit and Governance Committee by CIPFA on Corporate Governance and addressing the issue of being apolitical.	4  Considered excellent session.	3
26/10/2013	<b>Speed Reading</b>  Designed to increase delegate reading speed while retaining understanding of the content.	4  Considered to have provided an excellent tool and techniques.	5

		Feedback received was that the tips worked extremely effectively. An attendee felt it may have helped to have run for a full day rather than a half day.	
25/11/2013	<p><b>Full Council Member Briefing</b></p> <p>Briefing was on Cycle routes It covered the feasibility work that has been undertaken by East Sussex County Council on four of the priority cycle routes identified in the adopted Cycling Strategy and to confirm the next steps to facilitate delivery of the routes.</p>	<p>2.7</p> <p>Session was informative and provided the details of what is proposed for each route. It was suggested it would have been helpful for the slides with maps to be larger.</p>	10
18/12/2013	<p><b>Future Model Phase 2 Drop-in</b></p> <p>An opportunity to speak to those involved in Phase 1 to understand how Future Model has changed the way that we work. Many of the same design principles and ideas will be relevant for the way that processes, roles and team structures are redesigned for Phase 2.</p> <p>Information relating to plans for Phase 2 was displayed, and there were opportunities to provide feedback and thoughts.</p>		9



## Appendix B

### Member Learning dates for 2014/15

Session	Date
<b>Full Council Member Briefings</b> Confirmation of topic to be confirmed nearer to the date	31 March 3 June 29 July 4 November 20 January 2015 10 March 2015
<b>Standards training for all Members</b>	21 Oct 2014
<b>Planning Seminars</b> Content to be confirmed nearer the time to cover the latest issues.	7 April 2014 24 June 2014 2 October 2014 13 January 2015 24 February 2015
<b>Licensing updates</b>  <b>Licensing training on decision-making</b>	Changes in procedure as part of General licensing Committee  22 April 2014 11 November 2014
<b>Phase 2 Future Model Drop ins</b>	8/9 April 2014  Further dates to be confirmed
<b>Dealing with Conflict and Risk</b>  Delivered by MAYBO	Date TBC
<b>Speed reading</b>  Delivered by Sussex Downs	Date TBC

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### Eastbourne Borough Council learning activities

<b>Local Leadership</b>		
Corporate presentations on topical issues	In house sessions	Sessions held across the year
Members Newsletter detailing key issues for each Council service, including monthly finance briefing from the Chief Finance Officer	Monthly – In House Available on InSite	Self managed learning
Data Protection	Modern Councillor OLLIE	e-learning
Introduction to Local Government	Modern Councillor	e-learning
The Influential Councillor	Available by request from Sue Benfield	Audio CD
Working through the red mist. The skills of keeping your cool in an emotional situation	Available by request from Sue Benfield	Audio CD
Community Leadership Local Leadership Workbook	Available on InSite	Distance learning
Engaging Young People Local Leadership Workbook	Available on InSite	Distance learning
Neighbourhood and Community Engagement Local Leadership Workbook	Available on InSite	Distance learning
The Effective Ward Councillor Local Leadership Workbook	Available on InSite	Distance learning

Business Planning Local Leadership Workbook	Available on InSite	Distance learning
Supporting Constituents with Complex Issues Local Leadership Workbook	Available on InSite	Distance learning
Handling Casework Local Leadership Workbook	Available on InSite	Distance learning
Influencing Skills Local Leadership Workbook	Available on InSite	Distance learning
Personal Safety	OLLIE	e-learning
Equality and Diversity	Modern Councillor OLLIE	e-learning
Your role as Councillor	Modern Councillor	e-learning
Localism Bill	Modern Councillor	e-learning
Giving and Receiving Feedback	OLLIE	e-learning
Emotional Intelligence	OLLIE	e-learning
Essential Time Management	OLLIE	e-learning
Time Management Using a Priority Grid	OLLIE	e-learning
Dealing with Conflict and Risk		
Leadership Development Academy Programme Module 1 leading through relationships Module 2 leading innovation and change Module 3 leading communities and place	LGA	Three 2-day residential modules  One delegate per year

<b>Partnership Working</b>		
Corporate Plan		general reference
Member / Officer Protocol		general reference
Effective Member and Officer Relations Local Leadership Workbook	Available on InSite	Distance learning
Introduction to business planning and Strategic Management	Available on InSite	Distance learning
Customer First - Introducing the new website	OLLIE	e-learning
Sustainability	OLLIE	e-learning
Welfare Reform	OLLIE	e-learning

<b>Scrutiny and Challenge</b>		
Scrutiny of Finance Local Leadership Workbook	Available on InSite	Distance learning
Creating a 'Fit for the Future' Organisation Local Leadership Workbook	Available on InSite	Distance learning
Corporate Governance	Workshop	Training by CIPFA

<b>Regulating and Monitoring</b>		
The Council Constitution	Eastbourne Borough Council website	Documents available to download
Code of Conduct for Members, Member Interests, Protocol for Member/officer	Workshop	In-house

Relations		
Performance Management Local Leadership Workbook	Available on InSite	Distance learning
Licensing Act updates	Briefing session	In-house
Licensing decision making	Workshop	In-house
Planning Policy	Seminars and Workshops	In-house
Risk Management	Modern Councillor	e-learning
Community Safety Local Leadership Workbook	Available on InSite	Distance learning
Health and Safety in the Council Local Leadership Workbook	Available on InSite	Distance learning
An Introduction to Health and Safety	OLLIE	e-learning
Chief Officer Disciplinary Process Appeals Panels	Workshop	One-off HR Panel Training
Equality and Fairness Analysis	Workshop	In-house/External trainer

<b>Communication Skills</b>		
Making the Speech	Available from Sue Benfield	Audio CD
Speed reading	Full or half day workshop	Workshop
Stress Management and Personal Resilience Local Leadership Workbook	Available on InSite	Distance learning
Personal Resilience	OLLIE	e-learning
Chairing Skills Local Leadership Workbook Local Leadership Workbook	Available on InSite	Distance learning
Effective Meetings (including presentations) A handbook for Councillors	Available from Sue Benfield	Reading
Media and Communications Local	Available on InSite	Distance learning

Leadership Workbook		
Facilitation and Conflict Resolution Local Leadership Workbook	Available on InSite	Distance learning
Getting started with social media	Modern Councillor	e-learning
Public Speaking	Modern Councillor	e-learning
Presentation and Public Speaking Skills	Full or half day workshop	External training
Technology and change	Modern Councillor	e-learning
Working with the media	Modern Councillor	e-learning
Writing for the Web	Modern Councillor	e-learning
Essential Communication Skills	OLLIE	e-learning
Presentation Skills	OLLIE	e-learning
Effective Writing	OLLIE	e-learning
Getting the most from your Calendar(Outlook)	OLLIE	e-learning
Using email	OLLIE	e-learning
IT Essential Skills Induction	OLLIE	e-learning
IT skills	Insite	Video tutorials
OLLIE Induction	OLLIE	e-learning
Working Safely with Display Screen Equipment	OLLIE	e-learning
Dealing with Conflict and Risk	Training session	Training session by MAYBO

Local Leadership Workbooks are available on Insite: <http://insite/councillors/councillor-induction-and-training/local-leadership-councillor-workbooks/>)

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# Agenda Item 8

<b>Body:</b>	<b>AUDIT AND GOVERNANCE COMMITTEE</b>
<b>Date:</b>	<b>12 March 2014</b>
<b>Subject:</b>	<b>Members and Standards: an update</b>
<b>Report Of:</b>	<b>LAWYER TO THE COUNCIL AND MONITORING OFFICER</b>
<b>Ward(s)</b>	All
<b>Purpose</b>	To assist the Audit and Governance Committee in fulfilling its obligations in relation to member standards.
<b>Recommendations:</b>	That the Committee note the following: <ul style="list-style-type: none"><li>• The information supplied to it regarding complaints against members</li><li>• Other relevant information regarding dispensations issued to members and also member training on Standards</li><li>• The update provided on Standards-related matters</li></ul>
<b>Contact:</b>	Victoria Simpson, Lawyer to the Council and Monitoring Officer, Telephone 01323 415018 or internally on extension 5018. E-mail address: victoria.simpson@eastbourne.gov.uk

## **1.0 Background**

1.1 Members will recall their longstanding invitation to the Monitoring Officer to provide quarterly updates on Standards-related matters. This report aims to update the Committee on the standards and related issues which have arisen since the Committee's last meeting.

## **2.0 Complaints**

2.1 No new formal complaints against members have been received in during this quarter. As none remain outstanding from previous quarters, no complaints await determination at time of writing.

## **3.1 Dispensations**

3.2 Two dispensations have been applied for and granted since the last quarterly report, both to permit participation in voting and discussions on a specific motion to full Council where it was considered that the grant of a dispensation met the criteria laid out in the Localism Act.

## **4.1 Member training**

- 4.1 Members will recall that a member training on the relationship between the Code of Conduct for Members and the Protocol for Member/Officer Relations was requested by the Standards Panel. That session aimed also to provide an update on other Standards-related matters.
- 4.2 Following discussion of dates at the last meeting of this Committee, two training sessions were provided at the end of January 2014 by the Monitoring Officer and Deputy Monitoring Officers on successive evenings. Seventeen members in total attended as did two of the three Independent Persons. Feedback was largely positive and it appeared that most attendees felt a) that consideration of the less-known Member/Officer Protocol was useful and that b) exercises which explored real-life scenarios was helpful. One observation made by attendees at both sessions was that the Protocol (which had been agreed with neighbouring authorities) had not kept pace with the changes wrought by agile working. As a direct result of members' observations, the Human Resources team has put into their workplan an update of the Protocol to better reflect current practices.
- 4.3 No further training on Standards-related issues has taken place during the last quarter.
- 4.4 The Committee is aware that one element of the Committee's remit is to review member training and development across all areas. This Committee's terms of reference provide that the Committee 'may receive reports from the Monitoring Officer on any instance of a member or co-opted member persistently failing to undertake or attend learning or development activity that the Council or a committee of the Council has directed should be undertaken as a requirement for their participation in particular activities and decision making with a view to making a recommendation to Full Council'. While there is no intention to bring such a report to the Committee at the current time, members will comprehend that this is the context within which they receive information on member training.

## **5.0 Update on Standards related matters**

- 5.1 Members will no doubt be aware of the critical commentary in the public arena regarding how the current Standards regime has developed from one characterised by 'over-engineering' to one where local ownership is all-important. From the outset some commentators have speculated about certain aspects of it, including whether censure is a sufficient sanction in situations where members are found to have committed serious breaches of the Code in a context where a criminal prosecution appears unlikely.
- 5.2 The Committee on Standards in Public Life ('the CSPL') started a watching brief in 2013 on local authorities' standards arrangements and that continues to the present. Their recent annual report debates amongst other things whether consultation with Independent Persons lends sufficient impartiality to the process of dealing with complaints.
- 5.3 The CSPL has also noted the importance of party Leaders in a context of local ownership of standards. Interestingly, the first judicial review of the current Standards regime on wide-ranging Human Rights grounds is listed for hearing in March and the outcome of that challenge will be notified to this

Committee.

- 5.4 In any event, it must be correct to note as one commentator has that the context wherein local ownership of standards must be made to work is one which is increasingly challenging. A different, arguably more commercial, skill-set is needed in the face of ongoing pressures in the sector and it is for members to rise to those challenges while complying with requirements of the Code.

## **6.0 Consultation**

- 6.1 There has been no consultation.

## **7.0 Resource Implications**

- 7.1 None.

## **8.0 Financial**

- 8.1 None.

## **9.0 Staffing**

- 9.1 None.

## **10.0 Conclusion**

- 10.1 Authorities must have in place arrangements to monitor member conduct and to promote effective decision-making. It also a requirement that steps be taken to promote high standards of conduct. This report aims to assist this Committee in discharging its responsibilities in this regard.

**Victoria Simpson**

**LAWYER TO THE COUNCIL AND MONITORING OFFICER**

### **Appendices:**

None

### **Background Papers:**

Previous reports and minutes of the Committee and Panel.

The Constitution of Eastbourne Borough Council

Articles in the Local Government Lawyer

The 2012/13 annual report of the Committee on Standards in Public Life and other information published on its website

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# Agenda Item 9

<b>Body:</b>	<b>AUDIT AND GOVERNANCE COMMITTEE</b>
<b>Date:</b>	<b>12 March 2014</b>
<b>Subject:</b>	<b>The Regulation of Investigatory Powers Act and related legislation: update on the authority's usage of its powers</b>
<b>Report Of:</b>	<b>LAWYER TO THE COUNCIL AND MONITORING OFFICER</b>
<b>Ward(s)</b>	<b>All</b>
<b>Purpose</b>	<b>To assist the Audit and Governance Committee in monitoring the authority's usage of its powers under the Regulation of Investigatory Powers Act</b>
<b>Recommendations:</b>	That the Committee note: <ol style="list-style-type: none"><li>1) that no applications were made by officers of this authority to engage in activity regulated by the Regulation of Investigatory Powers Act during the quarter leading up to 1 March 2014, and</li><li>2) that Cabinet is being asked to agree the appended report, which would expand this Committee's remit to include applications to access Communications Data under RIPA.</li></ol>
<b>Contact:</b>	Victoria Simpson, Lawyer to the Council and Monitoring Officer, Telephone 01323 415018 or internally on extension 5018. E-mail address: victoria.simpson@eastbourne.gov.uk

## **1.0 Background**

- 1.1 Members will recall that the Audit and Governance Committee has agreed to receive quarterly reports on the authority's usage of its powers to conduct covert surveillance pursuant to the Regulation of Investigatory Powers Act.
- 1.2 Members of this Committee are also asked to note the appended Report to this cycle's Cabinet, which details additional powers given to local authorities to access Communications Data and proposes a policy to cover this.

## **2.0 Usage of the powers available to Eastbourne Borough Council to conduct covert surveillance under the Regulation of Investigatory Powers Act**

- 2.1 The quarterly returns compiled for the period 1/12/2013 to 1/03/2014 include the following data:

### RIPA applications for the use or conduct of a CHIS:

Nil applications made by EBC

Nil applications by partner organisations with which the authority is working on relevant matters.

### RIPA applications for authorised surveillance:

Nil applications made by EBC

Nil applications made by partner organisations with which the authority is

working on relevant matters.

2.2 The Committee will note that the returns for this quarter are consistent with EBC's infrequent recourse to the powers available to it under RIPA in recent years. The last applications by the authority for authorised surveillance were during 2010 and concerned serious allegations of benefit fraud.

### **3.0 Communications data use and acquisition: a policy which applies a last resort approach to all powers available to local authorities under RIPA**

3.1 The Cabinet report appended details the powers given to authorities under RIPA to access and use communications data under RIPA and seeks approval for a policy which brings this area into line with the authority's agreed 'last resort' approach to surveillance.

3.2 The report to Cabinet (which meets on 19 March) is considered to be self-explanatory. If agreed, it will result in this Committee considering quarterly returns for usage of communications data powers alongside the data currently reported to Committee.

### **4.0 Consultation**

4.1 None.

### **5.0 Resource Implications**

5.1 None.

### **6.0 Financial**

6.1 None.

### **7.0 Staffing**

7.1 None.

### **8.0 Conclusion**

8.1 This report updates the Committee on the authority's arrangements for and usage of its powers to conduct covert surveillance when circumstances merit. The report aims to equip this Committee to assist the authority in ensuring it applies a robust approach which balances its enforcement responsibilities with the requirement to act at all times in a proportionate and human rights-compliant way.

8.2 This Committee is also asked to note the Report to this cycle's Cabinet, which if agreed would bring the authority's approach to its powers with regard communications data in line with those on other covert investigatory tools under RIPA.

**Victoria Simpson**  
**LAWYER TO THE COUNCIL AND MONITORING OFFICER**

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## **Appendices**

Report to Cabinet of 19 March 2014

### **Background Papers:**

Previous reports and minutes of this Committee and of Cabinet.

Articles in the Local Government Lawyer

Resources available from the Officer of the Surveillance Commissioner and from the Interception of Communications Commissioner

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# EASTBOURNE BOROUGH COUNCIL

GRANT CLAIMS AND RETURNS CERTIFICATION  
Year ended 31 March 2013

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Agenda Item 10

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# INTRODUCTION

## PURPOSE OF THE REPORT

This report summarises the main issues arising from the certification of grant claims and returns for the financial year ended 31 March 2013.

We undertake grant claim and return certification as an agent of the Audit Commission, in accordance with the Certification Instructions (CI) issued by them after consultation with the relevant grant paying body. Our work is undertaken in accordance with the Statement of Responsibilities issued by the Audit Commission.

For those claims with a value of between £125,000 and £500,000, we conduct only a limited review of the overall control environment before certifying the claim. Grant claims below £125,000 are not subject to audit arrangements.

After completion of the tests contained within the CI the grant claim or return can be certified with or without amendment or, where the correct figure cannot be determined, may be qualified as a result of the testing completed. Sample sizes used in the work on the housing and council tax benefit subsidy return and the methodology for the certification of all grant claims are prescribed by the Audit Commission.

A summary of the fees charged for certification work for the year ended 31 March 2013 is shown to the right.

Appendix I of this report shows the action plan to improve the arrangements for preparing grants and other returns, along with the Council's progress against the agreed 2011/12 actions.

We recognise the value of your co-operation and support and would like to take this opportunity to express our appreciation for the assistance provided during the course of our certification work.

## CLAIM OR RETURN

## PLANNED FEE £

## OUTTURN FEE £

Housing and council tax benefit subsidy	17,140	17,140
---	--------	--------

National non domestic rates return	3,480	3,480
------------------------------------	-------	-------

Pooling of housing capital receipts	1,730	1,730
-------------------------------------	-------	-------

<b>TOTAL FEES</b>	<b>22,350</b>	<b>22,350</b>
-------------------	---------------	---------------

The indicative scale fees for certification work was initially set by the Audit Commission and reported in our Planning Letter 2012/13 as £21,900. This was subsequently increased by the Audit Commission by £450 to incorporate fees for the annual final report of the findings of the certification work.

There have been no other variations of the scale fee as a result of the work undertaken.

# KEY FINDINGS

Below are details of each grant claim and return subject to certification by us for the financial year to 31 March 2013. Where our work identified issues which resulted in either an amendment or a qualification (or both), further information is provided.

An action plan in respect of these matters is included at Appendix I of this report.

CLAIM OR RETURN	VALUE (£)	QUALIFIED?	AMENDED?	IMPACT OF AMENDMENTS (£)
Housing and council tax benefit subsidy	58,660,722	Yes	No	See note below on potential DWP recovery
National non-domestic rates return	31,307,913	No	No	-
Pooling of housing capital receipts	3,571,083	No	No	-

## HOUSING AND COUNCIL TAX BENEFIT SUBSIDY

Local authorities responsible for managing housing benefit and council tax benefit schemes are able to claim subsidies towards the cost of these benefits from central government. The final value of subsidy to be claimed by the Council for the financial year is submitted to central government on form MPF720A, which is subject to certification.

Our work on this claim includes verifying that the Council is using the correct version of its benefits software and that this software has been updated with the correct parameters. We also agree the entries in the claim to underlying records and test a sample of cases from each benefit type to confirm that benefit has been awarded in accordance with the relevant legislation and is shown in the correct cell on form MPF720A.

The methodology and sample sizes are prescribed by the Audit Commission and the Department for Work and Pensions.

The draft subsidy return provided for audit recorded amounts claimed as subsidy of £58,660,772.

## FINDINGS AND IMPACT ON RETURN

A number of errors were identified during the course of the initial testing which resulted in additional blocks of “40+” testing being completed. The testing was completed by internal audit staff and our re-performance of the work agreed with its conclusions.

On completion of the additional testing, we concluded that the following entries in the subsidy return were incorrect and either required amendment or we were required to extrapolate the error over the relevant cell populations. This information was provided in our qualification letter to the Department of Work and Pensions (DWP).

### Non HRA tenancy type misclassification

Testing of all cases recorded as non-self contained accommodation found six cases (with a value of £12,651) that should have been included as self contained accommodation. All of these cases have subsequently been corrected in 2013/14 and DWP has accepted this. A similar issue was also reported in the previous year.

### Non HRA overpayments misclassification

Testing of all eligible overpayments found 22 cases (with a value of £4,271) that should have been recorded as technical overpayments, meaning that there was no underlying liability to be credited. As technical overpayments are not funded, and eligible overpayments attract subsidy at 40%, DWP has informed the Council that it intends to withhold £1,708 of subsidy.

### Council tax benefit overpayments misclassification

Initial testing of eligible overpayments for council tax benefit found three errors from six overpayments that should have been recorded as technical overpayments, meaning that there was no underlying liability to be credited. Testing of an additional 40 council tax benefit overpayments found a further six cases that had been misclassified.

Total errors were confirmed as £1,148 and this was extrapolated across the total value included in eligible overpayments and reported that the total amount potentially misclassified was £43,997.

As technical overpayments are not funded, and eligible overpayments attract subsidy at 40%, DWP has informed the Council that it intends to withhold £17,599 of subsidy.

A similar issue was also reported in the previous year.

#### **Modified local schemes for war widows pension income disregards**

Testing of all cases for war widows pension income disregards found one error where the benefit awarded as normal entitlement would have been higher, and the amount awarded under the local scheme would have been lower, had the pension not been included twice.

The amounts reclassified from local scheme benefits would be £2,455 as rent allowance and £758 as council tax benefit. Since local scheme payments attract subsidy at 75% (subject to a cap), and normal entitlement is funded at 100%, the council has under claimed subsidy by £803. This case has subsequently been corrected in 2013/14.

#### **Reconciliation to benefit paid**

DWP requires that the amount of benefit entitlement generated, on which subsidy is calculated, be reconciled to the amounts paid out to claimants. The software suppliers provide various tools to complete this reconciliation, and exception reports highlighting discrepancies for each claimant, so that these can be investigated and resolved. Where the amounts claimed exceed the amounts that can be shown to have been paid to claimants, the lower amounts must be included in the subsidy return.

Our review found that overall, the Council had paid out some £8,002 more than it had included in the subsidy return for benefits generated, suggesting that the council was under claiming subsidy entitlement. The exception reports had been provided to the benefits team, but the discrepancies were not investigated by them.

Across the four benefit types, three were found to have paid out more benefit, by £8,512, while rent rebates was found to have under paid £510 of benefit. DWP has informed the Council that it intends to withhold £510 of subsidy.

#### **Responses to DWP**

DWP wrote to the Council to state that it intends to withhold, in total, £19,817 and to seek assurances that these issues will be addressed in 2013/14. The Council responded on 21 January to confirm that non HRA tenancy type classifications will be reviewed and a monthly review of overpayments will be undertaken and additional training provided where necessary.

#### NATIONAL NON DOMESTIC RATES RETURN

The Council is a billing authority and is required, on an annual basis, to calculate its contribution to the centrally-administered non-domestic rates pool. The value of the contribution must be notified to the Secretary of State. This is done on form NNDR3, which is subject to certification.

The return provided for audit recorded the amount payable to DCLG of £31,307,913.

#### FINDINGS AND IMPACT ON RETURN

The return was certified without amendment or qualification.

#### POOLING OF HOUSING CAPITAL RECEIPTS

Local authorities are required to pay a portion of any housing capital receipt they receive into a national pool administered by central government. The Council is required to submit quarterly returns notifying central government of the value of capital receipts received.

The return provided for audit recorded the amount payable to DCLG of £197,768, which was net of amounts that can be retained by the Council from the total receipts of £3,571,083.

#### FINDINGS AND IMPACT ON RETURN

The return was certified without amendment or qualification.

# APPENDIX I: ACTION PLAN

CONCLUSIONS	RECOMMENDATIONS	PRIORITY	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
<b>HOUSING AND COUNCIL TAX BENEFIT SUBSIDY</b>					
<b>Recommendations brought forward from 2011/12</b>					
Our testing of the allocation of benefit entitlement to rent thresholds for non HRA rent rebates found that, for many cases, the amounts had not been appropriately analysed into the above and below threshold cells or by tenancy.	Tenancy type for non HRA rent rebate claimants should be properly checked so that the entitlement is properly reflected in the subsidy claimed.	High	100% of cases that fall into this subsidy category will be checked prior to submission of the claim.	Revenues and Benefits Manager	Not resolved See 2012/13 action plan
On a number of occasions overpayments had been misclassified between eligible excess council tax benefit and technical excess benefits.	Benefit overpayments should be correctly classified by establishing robust systems for monitoring the accuracy classification during the year and undertaking a sample of checks prior to submission of the draft subsidy claim.	High	We will place greater emphasis on checking overpayment classifications as part of our ongoing accuracy checking during the year.	Revenues and Benefits Manager	Not resolved See 2012/13 action plan
<b>Recommendations 2012/13</b>					
Testing of non HRA tenancy type recorded as non-self contained accommodation found a high number of cases that should have been included as self contained accommodation.	Tenancy type for non HRA rent rebate claimants should be properly checked so that the entitlement is appropriately reflected in the subsidy claimed.	High	100% of cases that fall into this subsidy category will be checked prior to submission of the 2013/14 claim.	Revenues and Benefits Manager	April 2014
Testing of both non HRA tenancy benefits and council tax benefits eligible overpayments found a high number of cases that should have been recorded as technical overpayments.	Overpayments classified as eligible should be reviewed to ensure that there remains an underlying liability for rent or council tax, and should not be recorded as technical excess overpayments where no underlying liability exists.	High	All non HRA overpayments to date this year have been reviewed and will be checked each month. Council Tax benefit was abolished from April 2013 and is no longer included in the Subsidy claim. Training will be provided where staff have been found to have misclassified these overpayments.	Revenues and Benefits Manager	Ongoing

CONCLUSIONS	RECOMMENDATIONS	PRIORITY	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
The Council had not reconciled benefit entitlement awarded to paid benefit, and an unreconciled net difference of £8,002 remained in the subsidy claimed.	The Council should use the software provided by the supplier which includes exception reports that should allow the differences for each claimant to be investigated and resolved.	High	The Performance and Monitoring staff will review cases highlighted on the various reports to identify and correct the differences.	Revenues and Benefits Manager	Ongoing



The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the council and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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# EASTBOURNE BOROUGH COUNCIL

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Planning Letter 2014/15  
24 February 2014



# PROPOSED FEES

## Scope of the audit

We are required to report to you our proposed fees and programme of work for the 2014/15 financial year.

The fee is based on the work required under the Audit Commission's *Code of Audit Practice* ('Code') and our assessment of audit resource required to complete this work, taking into account the strength of your control environment, coverage of internal audit work and previous audit experience.

The Code audit fee covers:

- Audit of the financial statements
- Value for money conclusion
- Whole of Government Accounts return.

The audit also includes certification of grants and returns on behalf of the Audit Commission.

## Indicative fees

In October 2013, the Audit Commission published a consultation document setting out the work that auditors will undertake at local government bodies during 2014/15, with the associated scales of audit fees. The Commission plans to publish the final work programme and scales of fees for 2014/15 in March 2014.

The Commission has not planned to make any changes to the work programme for local government for 2014/15 and so the Code audit indicative fees have been set at the same level as the fees applicable for 2013/14.

The indicative fee does not include any time required to investigate questions or objections from members of the public. Should any arise, time spent dealing with questions and objections will be billed separately. Where possible we will provide an estimate of the likely time required to respond to the matters before starting the work.

The Audit Commission is currently reviewing the potential impact of changes in certification arrangements and the current indicative fees for this work are likely to be amended.

## Fees

AUDIT AREA	PROPOSED FEE 2014/15 (£)	PROPOSED FEE 2013/14 (£)	ACTUAL FEE 2012/13 (£)
Code audit fee	88,920	88,920	88,920
Certification fee	12,600	14,100	22,350
Total audit fees	101,520	103,020	111,270
Non audit services	-	-	<sup>(1)</sup> 2,250
Total fees	101,520	103,020	113,520

<sup>(1)</sup> Non audit services fees in 2012/13 comprised an annual subscription with BDO to provide general support for PAYE/VAT queries prior to the merger of PKF (UK) LLP and BDO LLP.

## Fee variations

The proposed Code audit fee for 2014/15 of £88,920 is not varied from the Audit Commission indicative scale fee. The proposed certification fee may be amended following a review of requirements by the Audit Commission currently underway.

A separate audit plan will be issued early in 2015 once we have completed our detailed risk assessment and the audit of the 2013/14 financial statements. This will detail the significant audit risks that we have identified and our planned audit procedures to respond to those risks.

If we need to propose any amendments to the audit fee during the course of the audit or where our assessment of risk and complexity is significantly different from those reflected in the proposed fee, we will first discuss this with the Director of Corporate Services and seek approval from the Audit Commission for a proposed variation of fee. If necessary, we will also prepare a report outlining the reasons why the fee needs to change for discussion with the Audit and Governance Committee.

# AUDIT ARRANGEMENTS

## Planned outputs

We plan to issue the following reports and opinions over the course of the audit:

REPORT	DATE
Progress reports to the Audit and Governance Committee	each meeting
Detailed audit plan	January 2015
Report on any significant deficiencies in internal controls, if required, based on the results of our interim audit visit	May 2015
Final report to those charged with governance	September 2015
Independent auditor's report including: <ul style="list-style-type: none"><li>Opinion on the financial statements</li><li>Value for money conclusion</li></ul>	September 2015
Whole of Government Accounts assurance statement and report to the NAO	October 2015
Summary of findings from the audit in the annual audit letter	October 2015
Grant claims and returns certification report	December 2015

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## Audit team

The key members of the audit team will be:

### Engagement Lead - Leigh Lloyd-Thomas

email: leigh.lloyd-thomas@bdo.co.uk

Tel: 020 7893 2616

Leigh will be responsible for the overall delivery of the audit including the quality of outputs and liaison with senior management.

### Engagement Manager - Janine Combrinck

email: janine.combrinck@bdo.co.uk

Tel: 020 7893 2631

Janine will manage and co-ordinate each aspect of the audit and will be the key contact with the Finance team.

## Client satisfaction

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact Leigh in the first instance. Alternatively, you may wish to contact our Managing Partner, Simon Michaels. Any complaint will be investigated carefully and promptly. If you are not satisfied you may take up the matter with the Institute of Chartered Accountants in England and Wales ("ICAEW").

In addition, the Audit Commission's complaints handling procedure is detailed in their leaflet "How to complain: What to do if you want to complain about the Audit Commission or its appointed auditors", which is available on their website <http://www.audit-commission.gov.uk/about-us/contact-us/complaints>

The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the council and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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# EASTBOURNE BOROUGH COUNCIL

AUDIT PLAN TO THE AUDIT AND GOVERNANCE COMMITTEE  
Audit for the year ending 31 March 2014

4 March 2014



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# EXECUTIVE SUMMARY

We are pleased to present our Audit Plan for the year ending 31 March 2014. This plan summarises the work that we propose to undertake in respect of our audit of Eastbourne Borough Council for the 2013/14 financial year.

## Significant Risks

Our audit is designed to respond to significant risks and identify where we intend to focus our resources in providing our opinion on the financial statements and our value for money conclusion. Summarised below are the significant risks that impact on our audit of which we are currently aware:

### FINANCIAL STATEMENTS

Auditing standards presume that a risk of management override of controls is present in all entities and require us to respond to this risk by testing the appropriateness of accounting journals and other adjustments to the financial statements, reviewing accounting estimates for possible bias and obtaining an understanding of the business rationale of significant transactions that appear to be unusual.

Auditing standards presume that there are risks of fraud in revenue recognition. These risks may arise from the use of inappropriate accounting policies, failure to apply the stated accounting policies or from an inappropriate use of estimates in calculating revenue.

The Code amends the requirement for the revaluation of property, plant and equipment (PPE) for these to be carried out with sufficient regularity to ensure the carrying amount does not differ materially from the fair value at the end of the reporting period and for all items in a class of assets to be revalued simultaneously.

Billing authorities are now required to estimate the value of successful NDR rate appeals and to include this in the Collection Fund account.

Four councils have entered into a joint waste contract and the lead authority is currently undertaking an assessment whether the contract contains a lease arrangement and the appropriate accounting for refuse vehicles of new bins purchased.

There is some uncertainty over the legal ownership of sea defences where previous capital expenditure has been recorded as property, plant and equipment assets by the Council, and the extent of damage caused by the recent storms. The Council is reviewing the basis for recognising these as assets and any impairment to valuations.

### FINANCIAL STATEMENTS (continued)

The Council has approved an additional investment in Wealden and Eastbourne Lifeline and has committed up to £6 million of further funding, if required, over the next five years. The Council owns 70% of the company but retains only 48% of the voting rights. Management has stated that it does not exercise control and proposes to account for this as an associate investment.

### USE OF RESOURCES

Government continues to reduce funding for local government, and combined with additional pressures arising from demographic and other changes, will have a significant impact on the financial resilience of the Council in the medium term.

## Fees

As set out in our Planning Letter 2013/14, the proposed Code audit fee for the year is £88,920 plus VAT, which agrees to the scale fee published by the Audit Commission.

## Key outputs

The key reports, opinions and conclusions from the audit will be:

REPORT	DATE
Report on any significant deficiencies in internal controls, if required, based on the results of our interim audit visit	May 2014
Final report to those charged with governance	September 2014
Independent auditor's report including: <ul style="list-style-type: none"> <li>Opinion on the financial statements</li> <li>Value for money conclusion</li> <li>Certificate</li> </ul>	By 30 September 2014
Assurance statement on the Whole of Government Accounts return	By 4 October 2014
Summary of findings from the audit in the Annual Audit Letter	October 2014

# SCOPE OF THE AUDIT

The purpose of this audit plan is to:

- Ensure that there is mutual understanding of the respective responsibilities relating to the audit
- Provide you with an overview of the planned scope of the audit for the year ending 31 March 2014
- Ensure that the areas of potential significant risk of material misstatement which we have identified are consistent with the areas which you perceive to be the key areas and to promote effective two-way communication between us.

We will also provide reports to management and those charged with governance on the findings of the audit which will focus on the significant matters arising from the audit of the Council regarding internal control, financial governance and reporting and accounting arrangements. We aim to provide management with clear recommendations that will add value to the Council.

## Audit scope

The scope of the audit is determined by the Audit Commission's *Code of Audit Practice for local government bodies 2010* ('Code') and our principal objectives under the Code are to:

- Provide an opinion on the financial statements
- Provide a report on the Whole of Government Accounts return
- Provide an opinion on the arrangements for securing economy, efficiency and effectiveness in the use of resources.

## Respective responsibilities

Our responsibilities, as auditors, are set out in the Audit Commission's *Statement of Responsibilities of Auditors and Audited Bodies (2010)*. Our audit is conducted in accordance with International Standards on Auditing (UK & Ireland) (ISAs). Auditing Standards require auditors to communicate relevant matters relating to the audit to 'those charged with governance'. Relevant matters include issues on auditor independence, audit planning information and findings from the audit.

We will communicate matters of governance interest that have come to our attention as a result of the performance of the audit. Communication may take the form of discussions or, where appropriate, be in writing. The audit is not designed to identify all matters that may be relevant to you.

Our contacts for communications will be the Chief Finance Officer and the Audit and Governance Committee. When communicating with the Audit and Governance Committee we will consider all individuals representing those charged with governance as informed and our responsibilities for communicating relevant matters will be discharged.

## FINANCIAL STATEMENTS

As part of our audit we obtain an understanding of the Council's system of internal control sufficient to plan the audit. We assess the adequacy of the design of specific controls that respond to significant risks of material misstatement and evaluate whether those controls have been implemented. Where we intend to place reliance on particular controls for the purposes of our audit, we will carry out procedures to test the operating effectiveness of those controls and use the results of those procedures to determine the nature, timing and extent of further audit procedures to be performed.

In order to achieve an efficient and cost effective audit, we aim to work closely with internal audit to minimise duplication and the overall level of audit resource input. We have planned the audit on the basis that we will be able to place full reliance on the work of internal audit.

We will communicate to management any deficiencies in internal control identified during the audit. Where those deficiencies are significant, we will also communicate to those charged with governance.

### Misstatements due to fraud

The primary responsibility for ensuring that your internal control frameworks are robust enough to prevent and detect fraud and corrupt practices lies with management and those charged with governance (the Audit and Governance Committee).

## FINANCIAL STATEMENTS (continued)

We have a responsibility to consider specifically the potential risk of material misstatement of your financial statements as a result of fraud and error, including the risk of fraudulent financial reporting. We have discussed possible risk of material misstatement arising from fraud with the Chief Finance Officer and Head of Internal Audit.

We will write to the Chair of the Audit and Governance Committee to confirm how the Committee oversees management processes to identify and respond to the risk of fraud, and whether there is knowledge of any actual, suspected or alleged frauds affecting the Council other than those reported by management. In the meantime please let us know if there are any other actual, suspected or alleged instances of fraud of which you are aware.

For all fraud risks, and for any actual frauds that have been identified and we have been informed of, we will consider the possible impact on your financial statements and our audit programme.

### **Materiality and triviality**

Materiality is the expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. In carrying out our work we will apply an appropriate level of materiality and as such the audit cannot be relied upon to identify all potential or actual misstatements.

For planning purposes, we have set materiality at £2.1 million (2.0% of average gross expenditure in the Comprehensive Income and Expenditure Statement excluding non-recurrent expenditure).

For reporting purposes, we consider misstatements of less than £42,000 to be trivial, unless the misstatement is indicative of fraud. We are required to bring to your attention unadjusted audit differences that are more than trivial that the Audit and Governance Committee is required to consider and we will request that you correct them.

## WHOLE OF GOVERNMENT ACCOUNTS RETURN

Local authorities are required to prepare information to allow HM Treasury to prepare consolidated Whole of Government Accounts (WGA) based on the statutory financial statements.

The WGA return is audited in accordance with Audit Commission specified procedures. We provide an assurance report to the National Audit Office to confirm that the WGA return is consistent with the audited financial statements and that it is properly prepared.

## USE OF RESOURCES

The Code requires auditors to issue a conclusion on whether the audited body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

This is based on the following two reporting criteria:

- The organisation has proper arrangements in place for securing financial resilience; the organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future
- The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness; the organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

We plan a programme of value for money audit work based upon our risk assessment.

## Engagement partner

We are committed to providing you with exceptional client service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact Leigh Lloyd-Thomas in the first instance. Alternatively, you may wish to contact our Managing Partner, Simon Michaels. Any complaint will be investigated carefully and promptly. If you are not satisfied you may take up the matter with the Institute of Chartered Accountants in England and Wales (“ICAEW”).

In addition, the Audit Commission’s complaints handling procedure is detailed in their leaflet “How to complain: What to do if you want to complain about the Audit Commission or its appointed auditors”, which is available on their website <http://www.audit-commission.gov.uk/about-us/contact-us/complaints>

## Independence and objectivity

We are required to communicate to those charged with governance, at least annually, all relationships that may bear on the firm’s independence and the objectivity of the audit engagement partner and audit staff.

In relation to the audit of the financial statements for Eastbourne Borough Council for the financial year ending 31 March 2014, we are able to confirm that the Audit Commission’s requirements in relation to independence and objectivity have been complied with and we are not aware of any relationships that would affect our independence. Should this change we will update you accordingly.

# RISK ASSESSMENT

We are committed to targeting work to where it will have the greatest effect, based upon assessments of risk and performance. This means planning our audit work to address areas of risk relevant to our audit responsibilities and reflecting this in the audit fees. The determination of significant risks is a matter for auditors' professional judgment.

For each of the significant risks identified, we consider the arrangements put in place to mitigate the risk and plan our work accordingly. If you consider there to be other significant risks of material misstatement in the financial statements or, arrangements for securing economy, efficiency and effectiveness in the use of resources, whether due to fraud or error, please let us know. Summarised below are the significant audit risks that impact on our audit of which we are currently aware.

FINANCIAL STATEMENTS AUDIT RISKS			
RISK	RISK DETAIL	ACCOUNTS AREA AND ASSERTIONS	AUDIT RESPONSE
<b>MANAGEMENT OVERRIDE</b>	Auditing standards presume that a risk of management override of controls is present in all entities and require us to respond to this risk by testing the appropriateness of accounting journals and other adjustments to the financial statements, reviewing accounting estimates for possible bias and obtaining an understanding of the business rationale of significant transactions that appear to be unusual.	Financial statement level risk across all account headings and assertions.	We will carry out audit procedures to review significant journals and other adjustments in preparing the financial statements, review the reasonableness of assumptions used by management when including accounting estimates, and obtain an understanding of unusual transactions.
<b>REVENUE RECOGNITION</b>	Auditing standards presume that there are risks of fraud in revenue recognition. These risks may arise from the use of inappropriate accounting policies, failure to apply the Council's stated accounting policies or from an inappropriate use of estimates in calculating revenue.	Existence, accuracy and completeness of income.	We will substantively test a sample of income received and debtor accruals to ensure that accounting policies have been correctly applied in determining the point of recognition of income.
<b>PROPERTY, PLANT AND EQUIPMENT (PPE) VALUATIONS</b>	The 2013/14 Code amends the requirement for the revaluation of PPE for these to be carried out with sufficient regularity to ensure the carrying amount does not differ materially from the fair value at the end of the reporting period and for all items in a class of assets to be revalued simultaneously.	Valuation of property plant and equipment.	We will review management's proposed use of indices, selective valuations of land and building assets, and their application to classes of assets for ensuring that the carrying value of PPE does not differ materially from the fair value.
<b>NON DOMESTIC RATE (NDR) APPEALS PROVISION</b>	For 2013/14, billing authorities are required to estimate the value of successful NDR rate appeals, including backdated appeals, and to include this in the Collection Fund account. There is significant uncertainty over the estimation of the provision due to potential incomplete data and likely success rate of appeals.	Completeness and accuracy of NDR appeals provision.	We will review the reasonableness of the assumptions used by management and compare this to information available for recent rate appeals and comparable information obtained from other sources.

FINANCIAL STATEMENTS AUDIT RISKS (CONTINUED)			
RISK	RISK DETAIL	ACCOUNTS AREA AND ASSERTIONS	AUDIT RESPONSE
<b>JOINT WASTE CONTRACT SERVICE</b>	Four councils have entered into a joint waste contract where Rother District Council is the lead authority for the joint committee. The lead authority is currently undertaking an assessment whether the contract contains a lease arrangement and the appropriate accounting for refuse vehicles. The lead authority has also purchased bins for use across the region and the arrangements for accounting for this expenditure has not yet been determined.	Presentation of refuse vehicles and expenditure on bins through the joint waste contract.	We will review the Council's consideration of the accounting requirements for the joint waste contract against IFRIC 4 (arrangements that contain a lease) and IAS 17 (leases).
<b>SEA DEFENCES</b>	There is some uncertainty over the legal ownership of sea defences where previous capital expenditure has been recorded as property, plant and equipment assets by the Council, and the extent of damage caused by the recent storms. The Council is reviewing the basis for recognising these as assets and any impairment to valuations.	Existence and valuation of coastal sea defences included in property, plant and equipment.	We will review the assessment undertaken by the Council including the legal and constructive ownerships, the basis of valuation and the need to recognise any impairment in respect of the coastal sea defences infrastructure.
<b>LIFELINE INVESTMENT</b>	The Council has approved an additional investment in Wealden and Eastbourne Lifeline and has committed up to £6 million of further funding, if required, over the next five years. The Council owns 70% of the company but retains only 48% of the voting rights. Management has stated that it does not exercise control and proposes to account for this as an associate investment.	Presentation of the investment in Wealden and Eastbourne Lifeline as a subsidiary or associate and also the impact on the Group financial statements.	We will review the key tests of the ability to control the company to support the proposed accounting for the investment as an associate.
USE OF RESOURCES AUDIT RISKS			
RISK	RISK DETAIL	AUDIT RESPONSE	
<b>FINANCIAL RESILIENCE</b>	Government continues to reduce funding for local government, and combined with additional pressures arising from demographic and other changes, will have a significant impact on the financial resilience of the Council in the medium term.	We will review the Council's MTFS to assess the reasonableness of assumptions and how the Council is addressing financial pressures.	

# AUDIT TIMETABLE

The timetable for key reports, opinions and conclusions from the audit will be:

OUTPUT	DATES
<b>FINANCIAL STATEMENTS</b>	
Review of internal controls	March - April 2014
Final audit visit	July - August 2014
Audit opinion covering: <ul style="list-style-type: none"> <li>• ‘True and fair’ opinion on the financial statements</li> <li>• Information in the Statement of Accounts being consistent with auditor’s knowledge</li> <li>• Annual governance statement is prepared in accordance with guidance and not inconsistent with auditor’s knowledge</li> </ul>	By 30 September 2014
Opinion on the Whole of Government Accounts return	By 4 October 2014
<b>USE OF RESOURCES</b>	
Review of economy, efficiency and effectiveness	March - August 2014
Value for money conclusion	By 30 September 2014

<b>REPORTING</b>	
Report on any significant deficiencies in control (if required)	May 2014
Final report to those charged with governance	September 2014
Annual Audit Letter	October 2014

We will agree specific dates for our visits with officers in advance of each part of our programme, and we will work closely with officers during the year to ensure that all key deadlines are met. We will also meet regularly with senior officers to discuss progress on the audit and obtain an update on relevant issues.





The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the organisation and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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# Agenda Item 13

<b>Body:</b>	AUDIT AND GOVERNANCE COMMITTEE
<b>Date:</b>	12 <sup>TH</sup> MARCH 2014
<b>Subject:</b>	Internal Audit Report to 31 <sup>ST</sup> December 2013
<b>Report Of:</b>	Internal Audit Manager
<b>Ward(s)</b>	All
<b>Purpose</b>	To provide a summary of the activities of Internal Audit for the third quarter of the financial year 2013/14.
<b>Recommendation(s):</b>	That the information in this report be noted and members identify any further information requirements.  That the updated Audit Charter and Audit Manual be adopted by the committee
<b>Contact:</b>	Jackie Humphrey, Internal Audit Manager, Telephone 01323 415925 or internally on extension 5925. E-mail address jackie.humphrey@eastbourne.gov.uk

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## 1.0 Introduction

- 1.1 The work of Internal Audit is reported on a quarterly basis to demonstrate work carried out compared to the annual plan and to report on the findings of audit reports issued since the previous meeting of the committee.
- 1.2 The annual audit plan for 2013/14 was agreed by the Audit and Governance Committee in March 2013.

## 2.0 Review of work in the third quarter of the financial year 2013/14.

- 2.1 A list of all the audit reports issued in final from 1<sup>st</sup> April to 31<sup>st</sup> December 2013 is as follows:

Theatres Reconciliations (Annual 2012/13)	Performing Inadequately
Treasury Management (Annual 2012/13)	Performing Excellently
Council Tax (Annual 2012/13)	Performing Excellently
Information Governance – Records Management	Performing Inadequately
Debtors (Annual 2012/13)	Performing Excellently
Benefits (Annual 2012/13)	Performing Well
IT (Annual 2012/13)	Performing Excellently
Payroll (Annual 2012/13)	Performing Excellently
Project Management Controls	Performing Adequately
Cemeteries and Crematorium	Performing Excellently

Cafi Creditors	Performing Well
Creditors (Annual 2012/13)	Performing Well
Catering	Performing Inadequately
Repairs and Renewals (EHL)	Performing Excellently
Safeguarding	Performing Excellently
Community Grants	Performing Well
Destination Management System	Performing Excellently
Land Charges and Searches	Performing Well
Civica Icon	Performing Adequately
Business Continuity Planning	Performing Excellently
Corporate Equalities	Performing Excellently
HR Management	Performing Well
Corporate Complaints	Performing Adequately

### Levels of Assurance - Key

Performing inadequately	Major weaknesses. Insufficient controls in place or controls not being applied. Fundamental improvements required. – High risk.
Performing adequately	Some important weaknesses. Key controls need to be improved. – Medium to high risk.
Performing well	Important strengths but some areas for improvement. – Medium to low risk.
Performing excellently	Major strengths. Minor or no recommendations. A good example of internal control. – Low risk.

2.2 During this quarter no reviews have been issued with an assurance level of Inadequate.

2.3 Appendix A shows the work carried out against the annual plan to the end of December 2013. The following comments explain the main points to be noted from the table:

- Annual audits for BDO – work has just started on this year’s reviews so the total days shown are a mixture of last year’s work completed in this and the start of work for this year.
- A review of Void Management had been requested and was included in the annual audit plan. However the Senior Head of Community, in discussion with Eastbourne Homes Ltd, has agreed that this review does not now need to be carried out.
- The review of Land Charges and Searches exceeded the time allocated in the plan. This was due to both the time allocated being inadequate and issues with the level of access given to the auditor to the necessary software to adequately audit the work.
- Work on Grant claims has gone over allocated time as extra work was required by the external auditors.
- No consultancy work was carried as planned. Consultancy from Internal Audit is a new concept for the authority and, as yet, there has been little take up of this service. Work will be carried out next financial year on discussing with Senior Management how consultancy

from Internal Audit can be utilised and a strategy and procedures can be put together.

- 2.4 Appendix B is the list of all reports issued in final during the year which were given an assurance level below "Performing Excellently", with any issues highlighted in the reviews which informed the assurance level given.
- 2.5 Appendix C shows the outstanding high and medium priority recommendations from audits and the reasons why they have not been implemented along with the month when the next follow up is due.
- 2.6 Where the column "priority" in Appendix C shows "High" the outstanding recommendations, and client comments from the report, have been listed at Appendix D. It should be noted that the recommendations listed were outstanding at the time of the last follow up review. If they have been addressed since this time this will not be noted or reported until the next follow up review is carried out.
- 2.7 Appendix D was reviewed by CMT and comments from Heads of Service have been included in the final column.

### 3.0 Frauds over £10k

- 3.1 It is a requirement that frauds over £10k are reported to our external auditors. Usually such frauds are only found by the Benefit Fraud section however a request is now also sent quarterly to Eastbourne Homes Ltd to ask them to confirm whether they have been aware of any frauds over £10k within that quarter.
- 3.2 The Benefit Fraud section now report these frauds to Internal Audit on a quarterly basis and these are passed on to the external auditors.
- 3.3 No frauds over £10k were reported in the third quarter of 2013/14 which means that only one fraud over £10k has been reported so far this financial year.

Overpayments over £10,000 between 01/04/13 and 31/12/13					
Suspected Fraud	Proven Fraud	Source of Info	Completed	Progress & Outcome	Over payment
LTAHW	Living Together	HBM S	11-Jul-13	Prosecution	£41,030.24

- 3.4. The Fraud Investigations Manager reported that during the third quarter the team had identified £180,000 of incorrectly claimed housing benefit but that there had been no frauds of over £10k noted. This can be seen as an indication that the team are working well to spot frauds earlier and that the Benefit Section is identifying potential fraudulent claims quickly.

### 4.0 Updating Audit Documents

- 4.1 Audit documents are reviewed annually to ensure that they remain current. In recent years few amendments have been made and therefore both the Audit Charter and the Audit Manual have not been seen by the Audit and

Governance Committee as both were formally adopted by the Audit Task Group. Both documents have been updated this year to include references to the new Public Sector Internal Audit Standards (PSIAS) and some sections added to ensure compliance with the standards.

4.2 Audit Charter – the charter is the document that defines Internal Audit’s purpose, responsibility and position within the Council. Two sections have been included to add clarity and ensure compliance with the PSIAS. These are section 7 – Scope, and section 8 – Assurance. Scope aims to clarify the areas of work that Internal Audit can undertake. Assurance makes clear that Internal Audit’s work can only provide “reasonable” assurance and cannot be relied upon to identify all circumstances of fraud or irregularity.

4.3 Audit Manual – this is a document which contains the various steps of carrying out an audit review from planning to follow up. At 10.4 a paragraph has been added to explain “reasonable assurance” and at 11.7 a section has been added covering consulting assignments.

4.4 In view of these changes, along with the fact that the current committee had not viewed these documents, it was felt timely to bring them to the meeting for review and adoption.

## **5.0 Consultation**

5.1 Respective Service Managers and Heads of Service as appropriate.

## **6.0 Resource Implications**

6.1 Financial – Delivered within the approved budget for Internal Audit

6.2 Staffing – None directly as a result of this report.

## **7.0 Other Implications**

7.1 None

## **8.0 Summary of Options**

8.1 None

## **9.0 Recommendation**

9.1 That the information in this report be noted and members identify any further information requirements.

9.2 That the updated Audit Charter and Audit Manual be adopted by the committee.

**Jackie Humphrey**  
**Internal Audit Manager**

**Background Papers:**

The Background Papers used in compiling this report were as follows:

*None*

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			Planned days	Actual days	Reason for Variance
<b>CORE ANNUAL AUDITS</b>	Benefits	Governance	10	3.3	12/13 work completed this year
	Cash and Bank	Governance	25		
	Council Tax	Governance	10	0.6	12/13 work completed this year
	Creditors	Governance	15	11.9	1.4 days 12/13 work completed this year
	Debtors	Governance	15	8.6	0.3 days 12/13 work completed this year
	Housing Rents	Governance	15	8.2	12/13 work completed this year
	Main Accounting	Governance	10		
	NNDR	Governance	10	4.8	
	Payroll	Governance	10	3.7	12/13 work completed this year
	Treasury Management	Governance	10	0.3	12/13 work completed this year
	IT	Governance	4	5.2	3.6 days 12/13 work completed this year
	Theatres Reconciliation	Governance	5	0.1	12/13 work completed this year
	Claims work		75	103.3	Additional work required by external auditors

			25	11.8	Extra piece of work requested and completion of audits started in the previous year
			20	2.4	
			40	21.5	
			30	19.6	
			25	0.1	Need to discuss this and set up a strategy.

<b>HIGH</b>	Catering	Review	20	19.9	Completed
	Leaseholders Recharges (EHL)	Review	10	9.5	Interim draft report issued - awaiting consultants report
	Repairs and Renewals (EHL follow up)	Review	10	2.6	Completed
	Void Management	Review	10	2.3	EHL/Senior Head of Community agreed this would not be carried out
	Tenancy Management	Review	10	6.8	Draft report issued

<b>REQUESTS</b>	Safeguarding	Review	5	6.1	Completed
	Back up and Storage	Review	5	0.7	

			Planned days	Actual days	Reason for Variance
<b>MEDIUM RISK REVIEWS</b>	Business Continuity	Review	15	4	Completed
	Leasing and Licensing	Review	15	0.4	<i>Requested to postpone to next financial year</i>
	Planning System	Computer	10	1	
	Corporate Equality	Review	10	13.3	Completed
	Human Resources	Review	15	8.3	Completed
	Corporate Complaints	Review	10	12.2	Completed
	Events and Attractions	Review	15	15.3	Draft
	Civica Icon and KPR	Computer/Review	15	20.6	Completed - Icon and Kiosk carried out and issued separately
	Community Enforcement	Review	10	13.1	Completed
	Homelessness/Temporary Accommodation	Review	10	0.1	<i>Requested to postpone as will be dealt with in Phase 2</i>
	Community Grants	Review	10	11.5	Completed
	Destination Management System	Computer	5	6.3	Completed
	Land Charges and Searches	Review	5	13.3	Completed
	Parks and Gardens	Review	10	4.3	
	Cemeteries and Crematorium	Review	10	12.6	Completed
GIS and LLPG	Computer	5	5.1		

**APPENDIX B**

**Reasons for original assurance levels given (below Excellent)**

<b>AUDIT REVIEW</b>	<b>ASSURANCE LEVEL</b>	<b>ISSUES NOTED</b>
Theatres Reconciliations	Performing Inadequately	<ul style="list-style-type: none"> <li>• Reconciliations not carried out on a monthly basis.</li> <li>• Variances required investigating.</li> <li>• No evidence retained of checks being made.</li> </ul>
Information Governance – Records Management	Performing Inadequately	<ul style="list-style-type: none"> <li>• General lack of awareness and understanding, especially that digital documents must be treated in the same way as hard copies.</li> <li>• Retention and Disposal Schedule not being followed.</li> <li>• Policies and guidance only in draft.</li> <li>• Retention and Disposal Schedule in need of review.</li> <li>• No disposal dates noted on documents – especially in W2.</li> <li>• No documented filing or naming conventions.</li> </ul>
Housing and C. Tax Benefits	Performing Well	<ul style="list-style-type: none"> <li>• Claims not reviewed on a periodic basis due to lack of resources.</li> <li>• Evidence of benefit applications closed without being correctly actioned. (Two cases identified)</li> </ul>
Project Management Controls	Performing Adequately	<ul style="list-style-type: none"> <li>• No clarity of how to decide if a piece of work should be classed as a project and then approved.</li> <li>• Lack of business cases written for projects.</li> <li>• Project workbook (guidance) was not used for projects.</li> <li>• Lack of project plans.</li> <li>• Lack of timetables for projects</li> <li>• Post Implementation Reviews not being carried out and therefore “lessons learned” not recorded.</li> <li>• Covalent was not used to document projects.</li> </ul>
Cafi Creditors	Performing Well	<ul style="list-style-type: none"> <li>• Records being retained beyond the limit set in the Retention and Disposal Schedule.</li> </ul>

N.B. The issues noted here may have been addressed since the original report was issued.

**APPENDIX B****Reasons for original assurance levels given (below Excellent)**

<b>AUDIT REVIEW</b>	<b>ASSURANCE LEVEL</b>	<b>ISSUES NOTED</b>
Creditors	Performing Well	<ul style="list-style-type: none"> <li>• Late completion of Goods Received Notes by departments.</li> <li>• Invoices being delivered to departments leading to delay in putting them onto the system for payment.</li> <li>• Large numbers of new creditors continue to be set up.</li> </ul>
Catering	Performing Inadequately	<ul style="list-style-type: none"> <li>• Lack of written procedures.</li> <li>• Stock counts not carried out on a monthly basis.</li> <li>• Stock is only counted and not reconciled to expected stock levels.</li> <li>• Overstock of wine resulting from transfer of stock from Convex.</li> <li>• There appears to be a high level of write offs with regard to wastage and lack of recording and monitoring wastage.</li> <li>• Processes around till readings, discrepancies and monitoring of no sales etc. were lacking.</li> </ul>
Community Grants	Performing Well	<ul style="list-style-type: none"> <li>• Some financial and other information from groups had not been supplied or chased.</li> <li>• Some groups regularly received funding from the Council and it is felt that consideration should be given to tendering for these services.</li> </ul>
Land Charges and Searches	Performing Well	<ul style="list-style-type: none"> <li>• Testing revealed that 31 officers around the Council had access to the Land Charges register that allows them to make entries. A further nine officers listed on the system no longer work for the Council.</li> </ul>
H R Management	Performing Well	<ul style="list-style-type: none"> <li>• Details of amendments are not automatically sent to Payroll by W2.</li> </ul>

N.B. The issues noted here may have been addressed since the original report was issued.

**APPENDIX B**

**Reasons for original assurance levels given (below Excellent)**

		<ul style="list-style-type: none"> <li>• Absence is recorded using Firmstep. This does not automatically highlight incomplete processes and so any incomplete steps are monitored and chased manually.</li> <li>• Compromise Agreements (Settlement Agreements) do not specifically state that confidentiality clauses do not prevent the employee from raising a legitimate public interest concern.</li> </ul>
Corporate Complaints	Performing Adequately	<ul style="list-style-type: none"> <li>• W2 does not contain sufficient documentation that evidences that departments who are not responding to customer complaints within the acceptable time frame are being chased.</li> <li>• In many cases W2 is not being updated with the responses to complaints from departments.</li> <li>• Customers are not being informed where a complaint is going to take longer to resolve than the 10 working days as per procedure.</li> <li>• Compliments received by departments are not being passed onto the Customer First team to log into Covalent.</li> <li>• There is no process in place that gives customers the opportunity to comment on how their complaint was handled.</li> <li>• There is no evidence of a process in place that monitors the types of complaints received and their frequency.</li> </ul>
Civica Icon	Performing Adequately	<ul style="list-style-type: none"> <li>• Some procedure notes could not be found.</li> <li>• Slow response times during searches.</li> <li>• Internal emails to inform users of problems is not sent automatically.</li> <li>• The system allows for duplicate files to be input.</li> </ul>

N.B. The issues noted here may have been addressed since the original report was issued.

**APPENDIX B**

**Reasons for original assurance levels given (below Excellent)**

		<ul style="list-style-type: none"><li>• When key staff are absent there is a lack of knowledge in the team of how the system works.</li><li>• There is a need for relevant end users to be more involved in the setting up of new systems.</li><li>• Help desk support from Civica is poor.</li></ul>
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N.B. The issues noted here may have been addressed since the original report was issued.

APPENDIX C

MONITORING OF RECOMMENDATIONS AS AT END DECEMBER 2013

AUDIT	NUMBER OF RECS		FOLLOW UP DUE	OUTSTANDING RECS		CURRENT POSITION	NOTES RE FOLLOW UP/RECS OUTSTANDING	PRIORITY
	HIGH	MEDIUM		HIGH	MEDIUM			
APP	0	1	May-14	0	1	Not Yet Due	Outstanding rec under discussion to address	Medium
Use of Council Vehicles	4	5		0	0		ALL RECOMMENDATIONS ADDRESSED	Medium
Towner (collection)	2	9	Jan-14	2	6	Not Yet Due	Many need to be addressed as part of transition.	Medium
Community Grants	0	3	Jan-14	-	-	Not Yet Due		
Health and Safety	0	4		0	0	Not Yet Due	ALL RECOMMENDATIONS ADDRESSED	Medium
Records Management	6	0	Jan-14	6	-	Not Yet Due	All partially addressed	High
Procurement	5	7	Nov-13	2	5	Overdue	Awaiting work by leSE and information being put onto the intranet	High
Safeguarding	0	2	Nov-13	-	-	Ongoing		
Project Management Controls	6	3	Jul-14	6	3	Not Yet Due	All outstanding - Head of Corp Dev states this will be part of Phase 2 and is unlikely to be completed until 2015	Medium
Officers Expenses	1	4	Nov-13	0	2	Ongoing	Work ongoing on outstanding recommendations	Medium
Destination Management Service	0	1	Mar-14	0	1	Not Yet Due	To be dealt with as part of MS upgrades	Medium
Land Charges and Searches	1	1		0	0		ALL RECOMMENDATIONS ADDRESSED	
Food Safety and Hygiene	1	3	Jan-14	1	2	Not Yet Due	Carried out Jan - see recs in appendix D	High
Civil Contingencies	0	7	Jan-14	2	2	Not Yet Due	Training remains outstanding	Medium
Catering	11	6	Jan-14	-	-	Not Yet Due		
IT Policies and Procedures	0	4	Feb-14	0	2	Not Yet Due	Work ongoing on outstanding recommendations	Medium
Corporate Equalities	0	1	Jan-14					
HR Management	0	4	Jan-14					
Icon	1	5	Jan-14					
Corporate Complaints	0	5	Jan-14					
Business Continuity Planning	0	4	May-14					
Community Enforcement	1	3	Jul-14					

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**Appendix D**

**OUTSTANDING HIGH RISKS**

**Procurement – Awaiting outcome of work by IESE**

<i>RECOMMENDATION</i>	<i>RISK / PRIORITY</i>	<i>RESPONSIBLE MANAGER</i>	<i>CLIENT COMMENTS AT INITIAL REVIEW</i>	<i>Situation at Last Follow Up</i>	<i>Manager comments after CMT (not yet verified by Audit)</i>
Consideration should be given to an interim review of the Procurement Strategy to improve its relevance.	Low  Six months	Strategic Projects Coordinator	<b><i>INITIAL REVIEW</i></b> <u>Strategic Projects Coordinator</u> It is due to undergo review in 2011 it will be updated with the organisational changes then.	<b><i>FIRST FOLLOW UP</i></b> <u>Strategic Projects Coordinator</u> To be completed this year.  <b><i>SECOND FOLLOW UP</i></b> <u>Strategic Projects Coordinator</u> In this year's work. Will look at setting this up on Covalent	<i>Part of the IESE programme for 2014.</i>
A system should be in place that informs interested parties when contracts fall due for renewal.	Medium  Three months	Suggested Contracts Review Group	<b><i>INITIAL REVIEW</i></b> The Strategic Projects Coordinator now has responsibility for maintenance of the Contracts database. The contracts database is still in the process of being compiled and when completed it has been suggested that a copy be included onto "Insite". Contracts renewal dates will be included which should assist Legal in monitoring contract renewal dates.	<b><i>FIRST FOLLOW UP</i></b> The South East Business Portal does not allow reminders to be set up. Currently reminders are sent out by the Strategic Projects Co-ordinator.  <b><i>SECOND FOLLOW UP</i></b> <u>Strategic Projects Coordinator</u> This is still carried out by the SPC. Will look at setting this up on Covalent.	<i>Part of the IESE programme for 2014.</i>

## Appendix D

## OUTSTANDING HIGH RISKS

### Procurement – Awaiting outcome of work by IESE

RECOMMENDATION	RISK / PRIORITY	RESPONSIBLE MANAGER	CLIENT COMMENTS AT INITIAL REVIEW	Situation at Last Follow Up	Manager comments after CMT (not yet verified by Audit)
<p>Where contractors are expected to abide by any of the Council's policies, rules and guidelines, these must be sent out with the contract and not left to the contractor to request copies. Alternatively the information should be uploaded onto the website and contractors informed where these documents can be found.</p>	<p>Medium Three months</p>	<p>Procurement Group</p>	<p>The Strategic Projects Co-ordinator states that she is to obtain training on the use of the system for updating the internet. Once the training has been received this recommendation will be addressed. It is also intended to build a page on the intranet and fully update the web page.</p>	<p><b>FIRST FOLLOW UP</b> Training still to be undertaken.</p> <p><b>SECOND FOLLOW UP</b> Links to policies etc to be put on procurement area of website when live.</p>	<p><i>Part of the IESE programme for 2014.</i></p>
<p>Generic guidelines for the processes and procedures of managing and monitoring contracts should be written and disseminated.</p>	<p>Medium Three months</p>	<p>Procurement Group</p>	<p>Work is currently ongoing on writing Contract Monitoring Guidance.</p>	<p><b>FIRST FOLLOW UP</b> Still working on tender guidance.</p> <p><b>SECOND FOLLOW UP</b> <u>Strategic Projects Coordinator</u> By March 2014</p>	<p><i>Part of the IESE programme for 2014.</i></p>
<p>A page must be set up on the intranet that gives details of corporate contracts. Procedures for the use of corporate contracts should be clarified and /or clear directions given on the intranet.</p>	<p>High Six months</p>		<p>Agreed</p>	<p><b>FIRST FOLLOW UP</b> To be put onto the intranet  3 months</p> <p><b>SECOND FOLLOW UP</b> <u>Strategic Projects Coordinator</u> To be discussed with new Exchequer Manager when in post.</p>	<p><i>The Strategic Projects Co-ordinator has now taken over management of the Corporate contracts. Once full information has been gathered this will be uploaded onto the intranet.</i></p>

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## OUTSTANDING HIGH RISKS

### Procurement – Awaiting outcome of work by IESE

RECOMMENDATION	RISK / PRIORITY	RESPONSIBLE MANAGER	CLIENT COMMENTS AT INITIAL REVIEW	Situation at Last Follow Up	Manager comments after CMT (not yet verified by Audit)
<p>Processes need to be put in place. E.g.</p> <ul style="list-style-type: none"> <li>The payments team are clearly informed that they have the authority to insist that the corporate purchasing contracts are used.</li> <li>The SP &amp; PO is tasked with regularly reporting findings to someone who can contact relevant departments and insist that these contracts are used. Other creditors are "stopped" on the system and can only be "opened" when special permission is granted by an authorised officer outside of the relevant department (to be agreed).</li> </ul>	<p>High  Six months</p>		<p>Agreed</p>	<p><b>FIRST FOLLOW UP</b> Awaiting restructure</p> <p><b>SECOND FOLLOW UP</b> <u>Strategic Projects Coordinator</u> On this year's work plan. Discuss with new Exchequer Manager when in post.</p>	<p><i>Part of the IESE programme for 2014.</i></p>

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## OUTSTANDING HIGH RISKS

### Procurement – Awaiting outcome of work by IESE

<i>RECOMMENDATION</i>	<i>RISK / PRIORITY</i>	<i>RESPONSIBLE MANAGER</i>	<i>CLIENT COMMENTS AT INITIAL REVIEW</i>	<i>Situation at Last Follow Up</i>	<i>Manager comments after CMT (not yet verified by Audit)</i>
When the new Procurement team is set up one of their objectives should be to consider and implement procedures for the reduction of the number of new creditors being added.	Medium Six months		Agreed	<p><b>FIRST FOLLOW UP</b> Awaiting restructure</p> <p><b>SECOND FOLLOW UP</b> <u>Strategic Projects Coordinator</u> On this year's work plan. Discuss with new Exchequer Manager when in post.</p>	<i>Part of the IESE programme for 2014.</i>
Information regarding "buying solutions" and how to use the set frameworks should be put onto the intranet.	Medium Six months		Agreed	<p><b>FIRST FOLLOW UP</b> Awaiting restructure</p> <p><b>SECOND FOLLOW UP</b> <u>Strategic Projects Coordinator</u> New government website Government Procurement Service. Call off by named officers only. Two recently registered and looking to register more officers for backup. Information to go on Insite to encourage staff to seek agreements but all call-offs must be through the main two officers.</p>	<i>Part of the IESE programme for 2014.</i>

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**OUTSTANDING HIGH RISK**

**Food Safety and Hygiene – next follow up to be carried out in January 2014**

RECOMMENDATION	RISK / PRIORITY	RESPONSIBLE MANAGER	CLIENT COMMENTS AT INITIAL REVIEW	Situation at Last Follow Up	Manager comments after CMT (not yet verified by Audit)
<p>A review of Food Safety and Hygiene inspection policies and procedures must be carried out.</p>	<p>High Risk  Six Months</p>	<p>Health &amp; Environment Manager</p>	<p>The policies and procedures do not reflect current legislation or government guidance. The forms and notices contained within, in some cases, refer to out of date legislation. Two areas overlooked in the documentation are Imported Food and the National Food Hygiene Rating Scheme (NFHRS). Officers have amended their own individual paper or electronic versions, but there is not a master copy available. Officers are each using different versions of the food hygiene inspection form. These deficiencies may be challenged in court if the Council pursue a prosecution in relation to food hygiene. A copy of EBC's current Scheme of Delegation is not currently accessible and may be required in urgent cases involving an Emergency Prohibition Notice being served. It is available on EBC's website but this does not contain specific officer details.</p>	<p>Procedures not yet reviewed – priority is annual inspection programme and the team of 2 has inadequate resources at present to progress this. They will be reviewing what we currently have, drawing up a programme of what needs to be reviewed, and prioritising for amendment.</p> <p>Resources within the team are under review and a business case will be prepared to request additional resources.</p> <p>A common inspection form is now being used.</p> <p>Delegations have now been made to individual staff.</p>	<p><b><u>Follow up carried out in January 2014</u></b></p> <p><b><u>Manager Comment:</u></b> 5 procedures prioritised and currently being reviewed as part of a rolling programme to review all procedures.</p>

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**OUTSTANDING HIGH RISK**

**Food Safety and Hygiene – next follow up to be carried out in January 2014**

RECOMMENDATION	RISK / PRIORITY	RESPONSIBLE MANAGER	CLIENT COMMENTS AT INITIAL REVIEW	Situation at Last Follow Up	Manager comments after CMT (not yet verified by Audit)
<p>It should be endeavoured to carry out inspections (particularly those within a medium to high risk category), within one month of the scheduled date.</p>	<p>Medium Risk  Three Months</p>	<p>Health &amp; Environment Manager</p>	<p>In recent years, category E (low risk) premises were mailed out a questionnaire to complete and returned, and this process was done in bulk once a year. Since the introduction of NFHRS, the team must inspect these premises by visit which has increased the number of inspections to be carried out. Inspections carried out prior to or post 28 days of the due date may disadvantage a business as they are not getting timely advice or their NFHRS rating, and a delay in inspection may put consumers at risk.</p>	<p>It has not been possible to complete the food inspection programme within the 1 month parameter. Scripts have not yet been written for the food service and it is these that will determine the work that will pass to other teams in the future model, for example it is anticipated that there are some tasks that the caseworkers could carry out. As of 27/09/13 there is no scheduled date for the scripts to be done, but they will follow on from Licensing which is currently in progress. At present the team are behind schedule and there are currently 271 overdue inspections outstanding as of 11/09/13</p> <p>Work is in progress with Wealden and Rother to appoint them to do 200 category "C" inspections which will assist with the backlog. We anticipate they will commence in the next month.</p>	<p><b><u>Follow up carried out in January 2014</u></b></p> <p><b><u>Manager Comment:</u></b> Positive progress is being made as workshops have taken place with Ignite and Civica on infectious diseases and outbreaks, food complaints, food inspections, approved premises, food registration and service requests. Scripts and processes are currently being built, to be followed by user acceptance training and Caseworker and Customer Advisor training to ensure knowledge and skills transfer takes place for those areas of work which will fall into their remit.</p> <p>Caseworkers have received external training from Public Health England on infectious diseases and steps that need to be taken.</p> <p>Wealden and Rother commenced inspections in November and 50% undertaken as of 17<sup>th</sup> January. They are on track to complete the 200 inspections by the year end.</p>

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**Food Safety and Hygiene – next follow up to be carried out in January 2014**

<i>RECOMMENDATION</i>	<i>RISK / PRIORITY</i>	<i>RESPONSIBLE MANAGER</i>	<i>CLIENT COMMENTS AT INITIAL REVIEW</i>	<i>Situation at Last Follow Up</i>	<i>Manager comments after CMT (not yet verified by Audit)</i>
<p>Internal monitoring records should be retained and kept for two years in line with the Framework Agreement on Local Authority Food Law Enforcement.</p>	<p>Medium Risk  Six Months</p>	<p>Health &amp; Environment Manager</p>	<p>Agreed</p>	<p>The Senior post has been deleted and the function is now managed by the Manager of Specialist Advisors and supported by the Senior Specialist Advisor. These two roles incorporate line management and service delivery. While the monitoring details are explained extensively in the Food Safety Service Plan 2013 these actions have not been undertaken because of the impact of the change to the Customer First way of working and reduction in size of the team, alongside the fact that little food work is being carried out by caseworkers. Once it has been established what the caseworkers will take on, the business case for additional resources will be completed.</p>	<p><b><u>Follow up carried out in January 2014</u></b></p> <p><b>Manager Comment:</b> Plan to commence internal monitoring in quarter 4. The role of the Senior Specialist Advisor is to examine the computer database on a routine basis to ensure all fields operate properly and are accurately populated, and cross checking data with any paper files. Alongside this, a review will be undertaken on a quarterly basis of a sample of service requests and inspections, which will be recorded in the database.</p> <p>The two Specialist Advisors with responsibility for Food accompany each other on a sample of inspections.</p>

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**OUTSTANDING HIGH RISK**

**Records Management – next follow up to be carried out in January 2014**

RECOMMENDATION	RISK / PRIORITY	RESPONSIBLE MANAGER	CLIENT COMMENTS AT INITIAL REVIEW	Situation at Last Follow Up	Manager comments after CMT (not yet verified by Audit)
<p>Consideration should be given to having someone with extensive knowledge of Records Management to review the current processes, devise new processes and put in place the following recommendations.</p>	<p>High Twelve months</p>	<p>CMT</p>	<p>At a meeting of CMT when this draft report was first discussed it was agreed that work should begin immediately to find out what other authorities do and to see if it is possible to work in collaboration or in consultation with them, using established expertise and know-how to achieve the objectives outlined in this Report.</p> <p>Records Management expertise was identified at several authorities. The Information and Administration Officer recently met with the Records Management Officer from Woking to share expertise, while approaches were made directly to several authorities with dedicated expertise in this area.</p> <p>The Records Manager at Brighton &amp; Hove City Council has agreed to assist. He has provided constructive comments on the draft Records Management and Retention and Disposal Policies. He</p>	<p>The Senior Head of Infrastructure stated that a Document Disposal module has been purchased from Civica as part of Future Module Phase 2 with some associated services.</p> <p>The Retention and Disposal Schedule has now been updated and completed so discussions will now take place to move this recommendation on.</p> <p>A meeting was held on 18<sup>th</sup> October 2013 to discuss issues and consider the next steps to progressing awareness of, and setting up, systems to ensure that, records are adequately managed.</p> <p><b><u>Senior Head of Infrastructure.</u></b> Despite the valuable input from Woking and BHCC, we still require some RM expertise to assist us going forward. Civica cannot provide this, we will need to engage a specialist.</p> <p><b><u>PARTIALLY ADDRESSED</u></b></p>	<p><i>A supplier has been selected to provide this and a scoping meeting will be held within the next two to three weeks.</i></p>



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**Records Management – next follow up to be carried out in January 2014**

			<p>has also made suggestions regarding what other considerations should be taken into account in respect of the council's records management arrangements and has agreed that VS and DW can visit his office once his workload allows for a brief overview of how BHCC deal with records management</p> <p><b><u>Audit Comment</u></b> At a meeting of CMT on 9/4/13 it was agreed that Civica be approached as part of Phase 2 of the Agile project with a view to buying in expertise and appropriate software.</p>		
<p>Awareness training must be provided across the Council. It is important that all managers must undertake this awareness training. This must include reminding staff that ALL documents, in whatever format, must be disposed of in accordance with the Retention and Disposal Schedule</p>	<p>High Twelve months</p>	<p>Responsible officer dependant upon outcome of first recommendation</p>	<p>Data Stewards received their initial training on 5 March. There are now 11 Data Stewards across the range of functions and they have been charged with cascading awareness of the issues.</p> <p>Further training will be provided once the draft records management policies and processes have been agreed. A timetable will be agreed for Records management training throughout the council once the comments received from an external</p>	<p>Various updated and new policies have been written and taken to, and agreed by, the Equality and Fairness Steering Group. These were then taken to and agreed by CMT.</p> <p>The policies now need to be published and training organised. It was stated that further training for data stewards is intended to be carried out by the end of the year.</p> <p><b><u>Senior Head of Infrastructure.</u></b> Part of the engagement of the external consultant should be to carry out a light touch review of the draft policies and devise a more detailed training course for data stewards and a short sharp course</p>	<p><i>A supplier has been selected to provide this and a scoping meeting will be held within the next two to three weeks.</i></p>

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			commentator have been reviewed. <b><u>PARTIALLY ADDRESSED</u></b>	for all staff. <b><u>PARTIALLY ADDRESSED</u></b>	
Work must be carried out to finalise, update and publish the suite of draft policies and publish them on the intranet so they are easily available to all staff.	High  Twelve months	Responsible officer dependant upon outcome of first recommendation	The policies have been updated internally and also critically reviewed by the Records Manager at BHCC. Once his comments have been considered for inclusion they will be ready for approval and publication on the intranet. The draft Records Management Guidance and Records Management Overview have been merged into one overall Records Management Policy document in the interests of clarity. <b><u>PARTIALLY ADDRESSED</u></b>	Various updated and new policies have been written and taken to, and agreed by, the Equality and Fairness Steering Group. These were then taken to and agreed by CMT.  The policies now need to be published and training organised. It was stated that further training for data stewards is intended to be carried out by the end of the year.  <b><u>Senior Head of Infrastructure.</u></b> As above, I believe it would be valuable to get the external consultant to complete a light touch review before we finalise and publish these.  <b><u>Lawyer to the Council and Monitoring Officer.</u></b> Ensuring that staff adopt the document naming convention only before end 2013 is a meaningful first step in the project. However staff training cannot occur until all of the policies have been reviewed and external consultants input obtained.  <b><u>PARTIALLY ADDRESSED</u></b>	<i>A supplier has been selected to provide this and a scoping meeting will be held within the next two to three weeks.</i>
The Retention and Disposal Schedule must be thoroughly reviewed; both the layout and the content.	High  Three months	Responsible officer dependant upon outcome of first recommendation	Woking Borough Council have requested permission to base their Retention and Disposal Schedule on EBC's and have indicated that they will let us have a copy	Various updated and new policies have been written and taken to, and agreed by, the Equality and Fairness Steering Group. These were then taken to and agreed by CMT.	<i>A supplier has been selected to provide this and a scoping meeting will be held within the next two to three weeks.</i>

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### Records Management – next follow up to be carried out in January 2014

<p>(As part of this recommendation serious thought should be given to the wording contained in the Retention and Disposal schedule for the disposal of documents. Currently the wording reads "keep for X years before considering destruction". The use of the word "considering" means that it is not clear if documents must be destroyed and could leave the Council open to breaches of the Data Protection)</p>			<p>of theirs once it is complete.</p> <p>It is noted that the Retention and Disposal Schedule needs to be 'future proofed' to allow for Future Model and any subsequent structural changes. With this in mind, it will no longer be organised according to departments.</p> <p>It is planned to delete the 'record status' column as this was never used. This will mean the whole schedule will need to be re-written. Instead of a 'corporate reference' column there will be a 'Ref No' column. This will provide a numbered reference to assist officers locate information more readily.</p> <p>The wording will be changed to delete the word 'consider' so it is clear that documents must be deleted after a set period. This work is 50% complete.</p> <p><b><u>WORK PROGRESSING</u></b></p>	<p>The policies now need to be published and training organised. It was stated that further training for data stewards is intended to be carried out by the end of the year.</p> <p><b><u>Senior Head of Infrastructure.</u></b> The external consultant should complete a thorough review of the R&amp;D schedule, with a specific goal of tightening up areas which are vague and minimising the number of 'permanent' retention periods.</p> <p><b><u>PARTIALLY ADDRESSED</u></b></p>	
<p>Consideration must be given to how documents (both on W2 and elsewhere)</p>	<p>High Twelve months</p>	<p>Responsible officer dependant upon outcome of first recommendation</p>	<p>It is planned that Civica will provide a demonstration on the Records Management Database module of W2 to</p>	<p>The Senior Head of Infrastructure stated that a Document Disposal module has been purchased from Civica as part of Future Module Phase</p>	<p><i>A supplier has been selected to provide this and a scoping meeting will be held within the next two to three weeks.</i></p>

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<p>can/should be noted with disposal dates in order to facilitate the disposal of records.</p>			<p>see if it would provide a replacement to the existing records management database that has not been updated with new records for several years.</p> <p>When evaluating the suitability of this system the issue of disposal dates will be taken into consideration.</p> <p><b><u>Audit Comment</u></b> At a meeting of CMT on 9/4/13 it was agreed that Civica be approached to build the successful delivery of the required records management outcomes into the next phase(s) of the Future Model project with a view to buying in expertise and appropriate software in the short to medium term. Medium to long term capacity and capability will be transferred into EBC resources in order to develop the response according to business need. It will also be necessary to have the policies and Retention and Disposal Schedule adopted before the dates could be input into the necessary module.</p>	<p>2 with some associated services.</p> <p>The Retention and Disposal Schedule has now been updated and completed so discussions will now take place to move this recommendation on.</p> <p>A meeting was held on 18<sup>th</sup> October 2013 to discuss issues and consider the next steps to progressing awareness of, and setting up systems to ensure that, records are adequately managed.</p> <p><b><u>Senior Head of Infrastructure.</u></b> Civica have demo-ed the module which seems fit for purpose. They have some follow up actions to confirm whether we can require all document types to have a disposal date when created and whether we can identify existing documents which do not have one.</p> <p><b><u>PARTIALLY ADDRESSED</u></b></p>	
<p>Serious consideration should be given to devising a naming convention for</p>	<p>High Three months</p>	<p>Responsible officer dependant upon outcome of first recommendation</p>	<p>A draft document naming convention has been written and it has been ascertained that it is compatible for use</p>	<p>Various updated and new policies have been written and taken to, and agreed by, the Equality and Fairness Steering Group. These were then</p>	<p><i>A supplier has been selected to provide this and a scoping meeting will be held within the next two to three weeks.</i></p>

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<p>electronic files (both corporate filing on W2 and other electronic files) which includes a year and that this is included in a policy as a system which must be followed. It will also be necessary to ensure that users are made aware of this.</p>			<p>with W2.Training and awareness of this will be built into the programme referred to above.</p> <p><b><u>PARTIALLY ADDRESSED</u></b></p>	<p>taken to and agreed by CMT. Included in the report to CMT was the document naming convention.</p> <p>The policies now need to be published and training organised. It was stated that further training for data stewards is intended to be carried out by the end of the year.</p> <p><b><u>Senior Head of Infrastructure.</u></b> This should be covered by the training for all staff.</p> <p>We also need support to devise a corporate folder structure</p> <p><b><u>PARTIALLY ADDRESSED</u></b></p>	
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## INTERNAL AUDIT CHARTER



Title	Internal Audit Charter
Version	3
Original Date	23/03/09
Approved By	Audit Task Group
Date this version	23/01/14
Approved By	Audit and Governance Committee
Next Review	January 2014

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## **1. Introduction**

The purpose of the Audit Charter is to define what Internal Audit is and explain its purpose, role and activities.

The standards for the work of an Internal Audit section are laid down in the Public Sector Internal Audit Standards which came into effect on 1<sup>st</sup> April 2013. The objectives of these standards are to:

- Define the nature of internal auditing within the UK public sector;
- Set basic principles for carrying out internal audit in the UK public sector;
- Establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations, and
- Establish the basis for the evaluation of internal audit performance and to drive improvement planning.

## **2. Definitions**

The definition of an internal audit function is:

"Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes."

The "Board" is the Audit and Governance Committee.

"Senior Management" are the Heads of Service who are members of the Corporate Management Team.

## **3. Requirement for Internal Audit**

The requirement for an internal audit function for local authorities is implied by Section 151 of the Local Government Act 1972, which requires that authorities "*make arrangements for the proper administration of their financial affairs*". The Accounts and Audit Regulations 2006 more specifically require that a "*relevant body shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control.*"



#### **4. Management and Internal Audit**

It is the responsibility of Management to establish an operating environment which is controlled, efficient and effective. Internal Audit is one element of control within the operating environment.

Internal Audit does not relieve management of its responsibility for maintaining effective control and risk management. It is, however, that element of the control environment specifically established to effectively appraise the effectiveness of control. It can then reassure management when control is adequate and identify and report inadequate control to enable the appropriate action to be taken to strengthen it before any serious breakdown occurs.

#### **5. Independence and Objectivity**

Internal Audit is an independent unit within Financial Services. To ensure its independence the Internal Audit Manager has right of access to the Chief Executive and/or the Leader of the Council should circumstances warrant such. In addition, there is a right of access to all Members of the Council as a matter of last resort.

Every effort will be made to retain the independence and objectivity of the team by not carrying out any non-audit activities. However if any member of the Internal Audit team is required to carry out any non-audit activity then it will be ensured that they do not carry out an audit review which would mean they would be reviewing work that they carried out themselves.

#### **6. Role and Objectives**

The role of Internal Audit is to:

- review and assess the soundness, adequacy and reliability of financial, management and performance systems and data;
- review and assess the effectiveness of internal controls and make recommendations to improve these where appropriate;
- review and assess procedures to check that the Council's assets and interests are adequately protected and risks are identified and effectively managed;
- check for compliance with legislation, Council policies and procedures;
- promote and assist the Council in the effective use of resources;

- undertake consultancy work with departments where appropriate;
- undertake independent investigations regarding allegations of fraud and irregularity in accordance with Council policies and procedures and relevant legislation.

The objectives of Internal Audit are to:

- provide a high quality effective Internal Audit service that meets the needs of the Council;
- support and help embed corporate governance requirements and risk and business continuity management throughout the Council.
- help identify areas for improvement.
- offer advice and assurance on achieving effective internal controls.
- comply with professional internal auditing standards (Public Sector Internal Audit Standards).
- Assist the Section 151 Officer in the discharge of their responsibilities.

## **7. Scope**

The scope of the Internal Audit function allows for unrestricted coverage of all the activities across the authority.

The work of the function will include:

Governance – audit reviews testing the adequacy of the internal control environment.

Consultancy – carrying out special assignments requested by senior management. However this is only carried out where resources all and is not carried out to the detriment of governance reviews.

Fraud and irregularities – special investigations will be carried out to review reports of frauds and irregularities. These will be carried out in accordance with the Special Investigations procedures.

Advice – the members of the Internal Audit function will give advice to officers as part of their day duties when carrying out reviews or when specifically approached.

## **8. Assurance**

Much of the work of Internal Audit is carried out to provide assurance to Management on the overall adequacy and effectiveness of controls operating within the system. However the most that the Internal Audit service can provide is "reasonable" assurance that there are no major weaknesses in the framework of internal control. The performance of internal audit work is not, and should not be taken as, a substitute for management's responsibilities for the application of sound management practices. It should be emphasised that the responsibility for a sound system of internal controls, and the prevention and detection of fraud and irregularities, rests with management. The work of Internal Audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity.

The external auditors will review the work of the Internal Audit service and will decide whether the work can be relied on. Their opinion is published annually in their Annual Audit Letter.

## **9. The Audit Strategy and Plan**

The strategy for Internal Audit forms part of the Strategic Audit Planning process (currently an annual risk based audit plan) and the Service and Financial Plan. The strategy should communicate the contribution that Internal Audit makes to the organisation and should include:

- objectives and outcomes;
- how the Internal Audit Manager will form and evidence their opinion on the control environment to support the Annual Governance Statement.
- how Internal Audit's work will identify and address significant local and national issues and risks;
- how the service will be provided (i.e. internally or externally);
- the resources and skills required to deliver the strategy.

The strategy should be approved by the Audit and Governance Committee.

Internal audit assignments are performed in accordance with an annual audit plan. The plan is a prioritised schedule of assignments, based on an assessment of risk, to be performed during the course of the financial year. The plan is developed and maintained by the Internal Audit Manager and requires the approval

of the Corporate Management Team with the endorsement of the Council.

Internal Audit's resource requirements will be assessed as part of the annual Service and Financial Plan.

## **10. Working Practices**

Internal Audit's remit extends to the entire control environment of the Council. Accountable managers are to allow Internal Audit unrestricted access to Council premises to interview staff, observe operations and examine records to allow them to fulfil their responsibilities. In addition, Internal Audit shall receive such explanations as are necessary concerning any matter under examination and require any employee of the Council to produce cash, stores or any other Council property under their control.

Internal Audit has an obligation to respect the confidentiality of information to which they are privileged to have access in the course of their work.

The procedures to be followed for carrying out an audit review are laid down in the Internal Audit manual and the Internal Audit Manager will review the work carried out against the procedures and feedback to the auditor. The results of Customer Satisfaction Surveys will also be reviewed by the Internal Audit Manager.

The Internal Audit function will work to an annual plan of assignments agreed in discussion with both senior management and the Audit and Governance Committee. These assignments will include a mixture of audit reviews and consultancy work designed to assist management to ensure best working practices and controls are considered early when designing new systems.

The objective of each review is to provide assurance to management on the overall adequacy and effectiveness of controls operating within the system. At the end of the year the Internal Audit Manager will report an overall opinion of the control environment based on the work carried out during the year.

## **11. Reporting**

The Internal Audit Manager will report to the Audit and Governance Committee as follows:

- presenting and obtaining approval of the Annual Audit Plan;
- reporting annually the section's compliance with the Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 self assessment; (from April 2013

compliance with the Public Sector Internal Audit Standards will be reported).

- reporting annually on the performance and effectiveness of the internal audit service;
- reporting quarterly on work undertaken by the section including any fraud and irregularity work;
- seeking approval for any changes and additions to the audit plan throughout the year;
- reporting any serious weaknesses found in the internal control systems and any instances where corrective action has not been taken by the Head of Service concerned;
- reporting any instances where responses to audit reports (draft and final) have not been received, and where agreed Audit recommendations have not been actioned, within an acceptable timescale.

The Internal Audit Manager is required to deliver an annual audit opinion to the Section 151 officer to support the Annual Governance Statement based on the work carried out by the section that year.

## **12. Relationships with Elected Members**

The Internal Audit Manager must establish and maintain good working relationships and channels of communication with members. This should be achieved by regularly attending the Audit and Governance Committee meetings and responding to any issues raised by Councillors, especially those who are members of the Audit and Governance Committee.

The Internal Audit Manager should have the opportunity to meet privately with the members of the Audit and Governance Committee if appropriate.

## **13. Code of Ethics**

Internal Auditors have a separate code of ethics to which they must adhere. These are set by the Relevant Internal Audit Standard Setters in the Public Sector Internal Audit Standards. This authority holds a separate document "Code of Ethics for Internal Auditors".

In addition internal auditors must have regard to the Seven Principles of Public Life which the Committee of Standards of Public Life believes should apply to all the public services. These are:

- Selflessness:** holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other benefits for themselves, their family or their friends.
- Integrity:** holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.
- Objectivity:** in carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.
- Accountability:** holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.
- Openness:** holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.
- Honesty:** holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.
- Leadership:** holders of public office should promote and support these principles by leadership and example.

# Eastbourne Borough Council

## Internal Audit Services

### Audit Manual



Title	Internal Audit Manual
Version	6
Date	03/04/13
Approved By	Audit Task Group
Next Review	March 2014

## **1.0 INTRODUCTION**

This audit manual has been prepared for the guidance of the Internal Auditors of Eastbourne Borough Council.

The production of the manual is intended to serve two purposes:

### **1.1 Aims**

To establish the aims and objectives of the Internal Audit Services.

### **1.2 Guidance**

To provide guidance to Internal Auditors on the procedures to be followed and to enable them to acquire a clear understanding of their responsibilities and authority.

By bringing together general information relevant to the work of the Internal Audit Service, it is anticipated that a uniform and consistent approach can be achieved.

All Auditors must be aware of the strict confidentiality of audit work. Information arising from audit work must under no circumstances form part of any discussions outside the Internal Audit Service.

## **2.0 THE AUDIT PROCESS**

The Annual Audit Plan will be drawn up by the Internal Audit Manager (IAM) based on an annual risk assessment and in consultation with Heads of Service, Senior Heads of Service, External Audit and the Audit and Governance Committee. The work will be allocated to Auditors by the IAM based on various criteria, including the specific skills of the Auditor.

When completing an audit review the Auditor must consider values contained within the Code of Ethics for Internal Auditors and especially;

Competency  
Independence  
Confidentiality  
Integrity

The Auditor must have the necessary skills required for carrying out an audit. If the requisite skills are not available



within the team then the IAM must give consideration to “buying in” these skills.

It should also be ensured that the Auditor does not undertake a review of an area in which they have worked up to twelve months previously.

In consultation with the IAM and the Service Manager, each Auditor will plan the approximate time of year the audit will be completed to ensure work can be factored into both the client’s and the Auditor’s planned work.

An Audit Process Checklist (Appendix A) will act as an aide memoir to the Auditor and provide a quick reference guide on the progress of the audit. The audit process will include most, but not necessarily all, of the following steps :

Description of work	Further detail
Planning the audit – this will include research, risk assessment, considering the Key Control Objectives and discussing this with the Service Manager at an introductory meeting and preparing the audit working programme and audit brief.	<u>2.1.1</u> <u>2.1.2</u>
<u>Interviews</u> are likely to be held with key staff to determine/confirm the procedures in place.	<u>2.2</u>
An <u>Internal Control Questionnaire</u> (ICQ) may be sent to the client.	<u>2.3</u>
<u>Documentation of the System.</u>	<u>2.4</u>
Testing : <ul style="list-style-type: none"> <li>▪ <u>Walk through test</u>;</li> <li>▪ <u>Compliance test</u>;</li> <li>▪ <u>Substantive test</u>;</li> <li>▪ <u>IDEA testing</u>.</li> </ul>	2.5 8.5
Complete <u>working programme</u> to record findings and recommendations.	4.0
Write a draft report based on the findings and results of testing.	10.0
The draft report and working programme are reviewed by the IAM before the report is issued.	
The draft report is issued electronically to the Service Manager (or managers up to Head of Service level) for comments and response to the recommendations in the report. The draft report should be issued within 10 working days of completing the audit work.	

When the draft report is issued a closure meeting with the Service Manager/s is set up by the Auditor. This should take place approximately one week after the issue of the draft report to discuss and agree the contents of the report. The final response to the report should be received within 10 working days of the issue of the draft report.	
The Service Manager's response and any necessary changes are included in the final report, which should be issued electronically within 10 working days of the final response from management. A Draft Final report should be sent to the Service Manager(s) and to the Senior Head/Head of Service. The email must explain that unless a response is received within 5 working days (taking leave into consideration) the report will be issued as Final.	
The final report should be sent to the Service Manager(s) and to the Senior Head/Head of Service, s151 Officer, Portfolio Holder for Finance, the Chair of the Audit and Governance Committee and the external auditors (currently BDO).	
A client satisfaction survey should be e-mailed to the Service Manager (or Head of Service as appropriate) with the final report and a response expected within 10 working days.	
The Auditor, in consultation with the IAM, will decide when a follow up to the audit should be completed (usually 3-4 months after issuing the final report), and will diarise accordingly.	
On completion of the follow up an e-mail/memo/report, as appropriate, should be sent to the same officers/members as the final report.	
Major findings and weaknesses identified will be reported to the Audit and Governance Committee by the IAM. Failure by management to implement agreed recommendations within reasonable timescales will be reported to the Audit and Governance Committee by the IAM.	

## 2.1 Completion of Audit Spreadsheet

Each audit will be started by the completion of the spreadsheet of the annual audits for the current year which is part of the

time recording Excel workbook. The spreadsheet records :

- name of the auditor undertaking the review;
- total days allocated to the audit;
- key dates e.g. when audit fieldwork completed, reports issued, closure meetings held, satisfaction surveys returned and follow up review;
- total days taken;
- reason for any extra time taken;
- number of high and medium risk recommendations.

The spreadsheet must be updated throughout the course of the audit. The IAM can therefore establish, at any time, the progress of the audit.

Responsibility for the audit remains with the IAM, though the actual workload will be delegated to the relevant Auditor.

## **2.2 Planning**

Planning is critical to the success of each audit assignment. The aim at this stage of the audit is to ensure that the proposals satisfy both Internal Audit's, the client's and, where possible, the requirements of External Audit. Adequate time must be set-aside for this stage, which identifies priorities, objectives and allocates resources.

The planning and preparation may include :

- research; (2.2.1.)
- assessment of the main risks relating to the area being audited (including reviewing the operational and departmental risk registers); (2.2.2.)
- the expected controls to mitigate or detect those risks,
- an introductory meeting with the Service Manager to agree the Key Control Objectives; (2.2.3 & 2.2.4)
- an outline of the tests which will be carried out to test controls in place. (2.2.5.)

### **2.2.1 Research**

It is essential for Auditors at this stage to gain an understanding of the operation under review to enable them to establish professional credibility with the client. Sources of information include:

- Previous audit reports, working programmes and files;
- External audit reports;
- Audit technical library including *CIPFA Systems-Based Auditing Control Matrices*, *CIPFA Audit Guidelines*, *CIPFA Computer Audit Matrices*, *CIPFA Computer Audit Guidelines*, *TIS On-line*;
- Intranet;
- Internet;
- Legislation;
- The Constitution;
- Council policy documents and Procedure Rules;
- Committee Minutes and Agendas;
- Financial records (including discussions with relevant accountancy staff);
- Organisation charts and job descriptions;
- Documents and information received from the client including departmental correspondence, service plans, procedure notes, performance indicators etc;
- Professional journals;
- Local newspapers.

A draft Audit Brief should be drawn up at this stage to be discussed and agreed at the introductory meeting. See 2.2.3 and 2.2.4.

### **2.2.2 Risk Assessment**

Prior to each audit a risk assessment will be carried out. Reference to the Service Centre's Service & Financial Plan and operational and departmental risk registers will be a good starting point. The risk assessment will inform the scope of the audit, which will be discussed with the IAM prior to the introductory meeting with senior management (see 2.2.3).

### **2.2.3 Introductory/Pre-Audit Meeting**

An introductory/pre-audit meeting must be arranged with the Service Manager, or Head of Service where appropriate, to:

- Ensure senior management are given the opportunity to discuss and contribute to the scope of the audit;
- Allow the Auditor to obtain critical information which will assist in the preparation of the scope and planning;
- Ensure the scope of the audit meets with the requirements of the client and with those of Internal Audit;
- Advise management of the audit process i.e.
  - formal agreement of the scope of the audit;
  - the start date for the audit and expected timescale for the audit fieldwork;
  - an indication of how the audit work will be completed;
  - reporting of findings and recommendations in a draft report and to whom this report will be issued;
  - closure meeting to agree recommendations and management response;
  - issue of final report and to whom this report will be issued;
  - customer satisfaction survey will be issued with the final report and a response will be expected within a reasonable period;
  - a follow up will be carried out after the final report has been issued; the time scale to be determined by the Auditor depending on the findings.
- Obtain information from management which may include:
  - Organisation chart and job descriptions;
  - Procedure manuals;
  - Systems documentation;
  - Main contacts for the Auditor.

- Ensure senior management endorses the audit;
- Demonstrate common courtesy.

This meeting will establish, among other things:

- concerns;
- expectations;
- issues;
- current and future pressures facing the service;
- confirm the Auditor's understanding of systems and objectives;
- timing of the audit;
- key contact(s);
- closure arrangements and reporting lines.

A copy of the form "What you can expect from us" should also be emailed to the client for their information. This can be found at Appendix B.

#### **2.2.4 Audit Brief / Key Control Objectives**

The scope of the assignment will be formally agreed with the client following the introductory meeting to ensure that the exact terms and details of the audit have been agreed and understood. The client should be asked to provide comments on the scope of the audit so that any thoughts or concerns can be built into the audit at the planning stage.

The Audit Brief (*example at appendix C*) should be written and sent to the client for agreement. The brief includes;

Scope – what is covered and what isn't;

Objectives – the purpose of the audit;

Strategic Position – how the review aligns with the Corporate Plan;

Responsibility – who will be carrying out the audit;

Time Frame – start and finish dates.

### **2.2.5 Working Programme**

The Working Programme takes the risk assessment and the Key Control Objectives and translates them into a detailed work programme of the tasks to be performed and testing to be carried out. It is therefore the basis of any well-organised audit and should conform to a standard pattern wherever possible. (A copy is retained on the shared drive at Audit Documents/Templates/New style programme and report). This will provide an appendix to the report to demonstrate the work carried out by the Auditor.

Audits must not become merely a routine exercise and checking procedure, otherwise any deviation from stereotyped instructions will tend to be overlooked. Auditors should always exercise initiative and seek external evidence to test the validity of records.

The Working Programme serves the following important purposes:

- Assistance to the Auditor carrying out a particular audit for the first time or after a lapse of time;
- Guidance as to the minimum coverage of the audit;
- It gives the IAM a useful record of work carried out and provides valuable evidence of what has been done if any queries are raised after the event.

It must be borne in mind that the Working Programme may require addition or amendment in light of 'on the job' experience as the audit progresses. However, any changes must be agreed by both the IAM and the manager who agreed the initial scope and programme.

### **2.3 Interviews**

The Auditor will plan who they need to interview in order to obtain any information required and will make an appointment with them. The Auditor will make sure that they introduce themselves and explain, wherever possible, the reason why the information is required. The Auditor will normally have a set of pre-prepared questions and/or a list of information required to ensure that the interview can be completed as efficiently as possible. Wherever practicable the Auditor will request information in advance which can be received electronically or provided at the meeting. The Auditor will

make notes during the interview, which will be typed up afterwards and stored electronically. (An Auditor may type up notes directly onto their laptop if they so wish).

## **2.4 Internal Control Questionnaires (ICQ)**

An ICQ is a comprehensive series of questions relating to the subject under review. They may be used in 4 ways:

- As part of an audit, enabling the Auditor to review and evaluate the system of control in operation in order to detect any weaknesses or defects;
- As an initial fact finding exercise on an audit where no previous documentation is available, to assist the Auditor in gaining an insight into the operation of a service;
- As an examination of those controls exercised by senior management which are concerned with the overall running of each department rather than individual accounting systems;
- As a self auditing exercise, whereby the client completes an ICQ. This can be used by the Auditor to determine areas of concerns and areas which the client indicates to be working appropriately, which can then be tested to confirm this.

CIPFA and the Audit Commission have published a series of ICQs for reference and use. Copies of the models are held within the Audit Section and should be used where required.

## **2.5 Documenting the Controls in the System**

The permanent file should already hold documentation for the controls in the System. This should be reviewed by the Auditor and confirmation should be sought from the client that this is still correct and up to date. The documentation should be up dated accordingly.

If, however, there is no previous documentation of the controls of the system, this should be completed by the Auditor using flow diagrams and narrative as appropriate. Examples of existing diagrams can be found on the shared drive under Documented System & Flowcharts.

## **2.6 Testing**

Having reviewed the systems of control and established the expected controls within the system, the Auditor should confirm that the expected controls are in place. This may be



carried out using various testing techniques as follows :

- Walk through Testing – See 8.6
- Compliance Testing – See 8.7
- Substantive Testing – See 8.8

## **2.7 IDEA Testing**

Consideration must be given to carrying out matching and analysis of data using IDEA. The possibilities of using IDEA should be discussed with the IAM and the Computer Auditor, who will need to make arrangements to obtain the necessary files. Examples of the use of IDEA include:

- detecting duplicate payments;
- detecting duplicate creditors;
- matching benefit claimants to other systems like BACAS, the system used by Cemeteries and Crematorium.

## **3.0 AUDIT CONTROL AND REVIEW**

### **3.1 File Review**

In order to ensure consistency and compliance with professional standards and audit procedures, it is essential that all audit work is effectively supervised at all stages of the audit and reviewed and signed off by the IAM at its conclusion. This process is designed to ensure that:

- All work undertaken complies with the requirements of professional best practice (Public Sector Internal Audit Standards);
- Working Programmes are adhered to and completed unless any deviations are both justified by the findings of the work undertaken and authorised;
- Audit files are complete and properly structured (i.e. cross-referenced);
- Appropriate audit techniques have been used (e.g. sampling);
- The Working Programme adequately supports the findings, conclusions and recommendations of the report to which it relates;
- The related audit report is complete, accurate, objective, clear, concise, constructive and timely;
- The Key Control Objectives of the audit assignment are met

within the allocated time budgets or that appropriate time variations have been authorised.

#### **4.0 WORKING PROGRAMME AND FILES**

The Working Programme records the evidence on which any audit report is based. It is essential that it is produced professionally and in accordance with recognised standards. The Working Programme will link to all the testing completed, documents prepared and gathered during the audit. The Working Programme must fulfil the following objectives:

- Record the work carried out and evidence gathered;
- Provide details of problems encountered;
- Demonstrate a methodical approach;
- Support the conclusions and recommendations of the audit report;
- Facilitate the review of the audit;
- Create background and reference material for future audits;
- Facilitate discussion with clients.

The Working Programme must be:

- Legible;
- Clear;
- Concise, but with sufficient detail;
- Objective;
- Titled, dated and showing the name of the Auditor carrying out the review;
- Cross-referenced;
- Contemporaneous;
- Relevant;
- Referenced back to source.

The Working Programme must not contain:

- Gratuitous comments;
- Jargon, buzz words or unexplained abbreviations;
- Speculation, unsupported or anecdotal evidence;
- Padding or extraneous material.

The evidence linked to the Working Paper covering audit tests must state the:

- Objective of the test;
- Nature of the test;
- From where the population was obtained (e.g. the system);
- Method of sampling used;
- Size of the sample compared to the total of transactions from which it is chosen (the population);
- Clear results of the testing;
- Conclusion drawn from the test;
- Suggestions for recommendations.

The Working Programme will form the basis to record findings and testing carried out. Other evidence to support those findings will be held electronically and linked, using a hyperlink to the correct section of the Working Programme.

The Working Programme should enable a reasonable person with no previous knowledge of the particular system to reach the same conclusions as the actual Auditor.

## **5.0 AUDIT EVIDENCE**

In general terms, Auditors should recognise that independent documentary evidence carries more weight than anecdotal verbal reports. Indirect verbal evidence from third parties should always be independently validated if it is necessary to place reliance upon it. Good quality evidence in the form of the Working Programme and detailed notes of interviews is essential and can be crucial in persuading service management to accept audit points and recommendations.

The Audit Working Programme and files form one of the main review and assessment tools available to managers and to external reviewers of Internal Audit, such as the External Auditor. For many aspects of the audit, standard matrices are available and should be used.

Audit evidence takes on an additional importance in relation to fraud investigations. (Refer to the Special Investigations Manual).

## **6.0**      **CONDUCT**

On occasions, the Auditor may sense that, however friendly the initial reception given to them, their presence is possibly being regarded with suspicion and apprehension.

The Auditor must seek to overcome any suspicions by gaining the confidence of the client, working with them, explaining the real intent of the audit and the necessity for the correct operation of the systems.

Internal Auditors should always take into account the following points:

- Arrive on time for all appointments;
- Presentation is important, in terms of both the Auditor's personal appearance and attitude. A professional image and the impression you personally make upon the client are very important;
- Introduce yourself to the staff of the section;
- Make use of the time spent on preparation by showing that you are interested in the service and that you have grasped a basic knowledge of their work. Show that time has been taken in producing relevant notes that can be used to commence the audit without delay;
- Stress the time limitations placed on the audit by the Audit Plan and conduct the audit in a methodical manner with the object of achieving maximum coverage within the time allowed.

The Auditor must at all times be seen to be informal, helpful and understanding, but at the same time retain their independence and determination to complete their task.

## **7.0**      **AUDIT FILES**

The Internal Audit function maintains its own filing system. The system provides for permanent and working files together.

Permanent files should include:

- Organisation charts;
- Policies and Procedures;
- System documentation notes, flowcharts and ICQ's;

Working files should include:

- The Working Programme, reports, testing, evidence and emails relevant to the last completed audit;
- Any advice or guidance given since the previous audit.

Additionally, files are retained on fraud, irregularity and other confidential items (special investigations).

It is vital that files are kept up to date and the contents regularly perused to ensure their relevance. Audit files are retained for 7 years before destruction.

In view of the constraints imposed by the Data Protection Act, any computer outputs containing personal information, which are not pertinent to the audit should be destroyed at the end of the audit.

With the introduction of the Freedom of Information Act 2000 the Council adopted a formal Corporate Record Retention and Disposal Schedule. The pages relevant to audit documentation can be found at Appendix 1.

Audit files should be maintained securely at all times. The lead Auditor is responsible for ensuring the security of the audit file during an audit. Files loaned to other review agencies, i.e. External Audit, should be approved by the appropriate level of audit management and the loan recorded. Any information given to external auditors containing personal information (or if the files to be sent are large) must be sent using the Egress package attached to Outlook.

Access to audit files is limited to the audit team. To ensure no unauthorised access takes place filing cabinets, containing old reviews, must remain locked when not being used and computers must be locked when unattended. Access to the shared drive for Audit must remain limited to the Internal Audit team only.

On request external auditors, the Section 151 officer and the Police may have access to the records.

Should anyone else wish to see the files consideration must be given to the person making the request and the reason for the request as well as to any data protection issues that may arise. It may be necessary to redact some information before paperwork is given out.

All papers may be requested under the Freedom of Information Act. As a whole they are not exempt but it may be necessary to redact some information before the information is sent out. In order to ensure that the legislation is correctly adhered to the Information and Administrative Officer (FOI/DP) must be consulted.

## **AUDIT TECHNIQUES**

### **8.0**

The following techniques may be of assistance in some types of audit review. However, before using any of these techniques, their use must be discussed with, and approved by, the IAM and appropriate time incorporated into the plan of audit work to be performed.

### **8.1 Internal Control Questionnaires (ICQ)**

See 2.3

### **8.2 Flowcharting**

The detailed analysis of systems and the evaluation of controls are essential features of an audit. To carry out such an analysis, it is necessary to record the system under review in a readily comprehensible format.

A flowchart is a means of showing diagrammatically how documents or transactions pass through a system, indicating the sequence in which operations or controls take place. Flowcharts can therefore be a means of presenting information in a concise form and can assist in the development of testing strategies to determine the extent to which internal controls, including internal checks, are operating.

Existing flowcharts can be found on the shared drive at Documented System & Flowcharts.

#### **8.2.1 Advantages of Flowcharting**

During the preparation of a flowchart, each step in the system is individually examined so weaknesses are more readily exposed. The discipline of presenting a system in this form facilitates a more comprehensive understanding of the procedures involved and also aids subsequent evaluation or review. It is often easier to demonstrate weaknesses in internal control by portraying them in diagrammatic form. Flowcharts prepared in a standard form provide a permanent and easily understood record for future reference and once a

flowchart has been prepared, the effects of proposed changes may be evaluated.

### **8.2.2 Preparation of a Flowchart**

Through enquiry and observation, determine the procedures actually in operation because the system as explained by departmental staff may not be consistent with the situation in reality.

Obtain information from each person involved in the system to ascertain what documents are handled and how these are processed.

When all information has been obtained, produce the flowchart. Note that it may be appropriate to produce small flowcharts for individual processes, which are amalgamated to produce a composite flowchart.

Finally, test the system to ensure that the flowchart correctly reflects it; walk through testing.

## **8.3 Testing**

When carrying out an audit of systems, activities and internal controls, the Auditor is concerned with the adequacy of accounting and other records and the systems of internal control. It is therefore necessary to ascertain, evaluate and test the operation of any internal controls upon which the Auditor wishes to place reliance in determining the nature, extent and timing of further audit work.

### **8.3.1 Walk Through Testing**

Walk through testing is exactly what it says. It is the means to follow through a piece of paper or a transaction from beginning to end. This will confirm that a system works in the way in which the Auditor understands it. This will help the auditor confirm the stages of the process from initiation to recording, processing and through to reporting.

### **8.3.2 Compliance Testing**

Compliance tests provide evidence about the operation of internal controls; it is the control that is tested. Note that an important feature of a compliance test is that, for each item examined, the control either operates or it does not. Compliance testing forms part of a systems-based approach

and provides evidence about the effectiveness of the operation of those identified controls that are matched to control objectives.

If the compliance tests expose exceptions, these must be fully investigated and explanations sought. Internal controls should operate effectively at all times and any deviation suggests a control weakness, which should be reported. The only exception to this is where it is possible to prove that the deviations were isolated incidents that do not indicate failure of the control.

Compliance tests include enquiry, observation and inspection of documents. Tests of detail are normally the strongest type of compliance test, but can only be used when the performance of the internal control is documented and can be re-performed. When the performance of the internal control is not documented or cannot be re-performed, the Auditor may perform an observation and enquiry test to enquire about the function of the internal control and observe the performance. Such tests generally provide less audit evidence than a test of detail.

### **8.3.3 Substantive Testing**

These tests are designed to give direct evidence as to the completeness, accuracy and validity of records, account balances, etc.

Substantive tests include analytical review, substantive sampling, observation and enquiry (i.e. the confirmation that a staff list is accurate by tracing all employees), re-computations, inspections (i.e. physical inspection of items on an inventory) and re-performance of internal controls.

### **8.4 Statistical Sampling**

It is not intended here to explain the theory of statistical sampling. The aim is to emphasise the practical value to the Auditor of the methods available.

Statistical sampling offers the Auditor opportunities of reducing large masses of information to the minimum size required to meet the objectives of the audit check, thus reducing the amount of routine work.

The most common methods of reducing a large number of items to a manageable size are:



- Selecting every (say) tenth item for check;
- Selecting only items over (say) £100;
- Selecting (say) one or two month's transactions out of a year;
- Selecting (say) an individual account or accounts for comprehensive check of procedure for payment, receipt of goods etc.

It is crucial that samples should be selected in a random fashion, i.e. every item in the field must have an equal chance of being selected. If the sample is not selected at random, the validity of the results can not be assessed. There will however be occasions when the sample may be taken using the Auditor's judgement and experience, such samples should be recorded as such and the reason provided. (Even if an auditor chooses items apparently at random – e.g. not every 5<sup>th</sup> entry – then this must be recorded as "selective sampling").

## **9.0 COMPUTER AUDIT**

Computer Audit principles are no different to those that operate in all other spheres of audit but the technical qualities of computers and their associated software make the application of audit objectives more difficult. In order to provide the Auditor with a framework to use when considering how best audit objectives can be satisfied, CIPFA has published "*Computer Audit Guidelines*", comprising topics covering the complete subject of computer auditing. A copy of CIPFA's latest guidelines is kept in the Division.

## **10.0 AUDIT REPORTING**

### **10.1 Audit Reports**

The audit report is the culmination of the work undertaken. It provides a permanent and visible record of views formed, opinions reached and recommendations made. It is therefore vital that adequate time is set aside and care taken at this stage.

NB: It is important that management should be informed of interim findings where key issues have arisen. No major observation in a report should come as a surprise to the manager concerned.

Any suspicions of fraud, corruption or improper conduct must

be reported immediately to the IAM or, in their absence, to the section 151 officer.

The primary purposes of audit reports are to provide management with an opinion on the adequacy of the internal control system and to inform management of significant audit observations, conclusions and recommendations.

In order to achieve these objectives the Auditor should produce clear, constructive and concise written reports based on sufficient, relevant and reliable evidence, which should:

- Make recommendations which are appropriate and relevant and which flow from the conclusions;
- Indicate the priority attached to the recommendation by the Auditor and the time scale within which the recommendation is expected to be implemented;
- Acknowledge the action taken, or proposed, by management.

## **10.2 Form of Report**

The report must always be written in a language that is easily understood by the recipient, be based on relevant facts and information which are documented in the Working Programme and contain recommendations which are sound, relevant and practical.

Often during the course of an audit minor observations to improve service provision are noted. Such observations may be included in a separate note/email/appendix at the discretion of the Auditor and the IAM. This is to ensure that the impact of the recommendations within the report is not diluted by trivial matters.

The report should always be written in a professional manner and be in the prescribed layout. A copy of the style of layout can be found on the shared drive at Audit Documents/Templates/New Style Programme and Report.

## **10.3 Introduction**

The introduction should contain:

- Background to the system or establishment being audited;
- Inclusion in audit plan (if applicable);
- Main purpose of exercise;

- Thanks expressed - staff involved.

## 10.4 Executive Summary

A summary of the key observations of the assignment. This should provide a balanced view of positive as well as negative issues. This is very important as the body of the report will only focus on areas where weaknesses have been identified.

It should also contain the Auditors opinion of the control environment and the risk exposure of the area reviewed. This will be demonstrated by the inclusion of a paragraph which reads:

*Provisional Assurance Level Prior to Recommendations Being Implemented:*

This should be followed by the longer description of the level of assurance which is shown in the table below. For example, if the level of assurance is considered to be inadequate the paragraph in the report will read:

*Provisional Assurance Level Prior to Recommendations Being Implemented: Major weaknesses. Insufficient controls in place or controls not being applied. Fundamental improvements required. – High risk.*

However the entry in the spreadsheet will just use the short descriptor e.g. Performing inadequately.

### **Levels of Assurance**

Performing inadequately	Major weaknesses. Insufficient controls in place or controls not being applied. Fundamental improvements required. – High risk.
Performing adequately	Some important weaknesses. Key controls need to be improved. – Medium to high risk.
Performing well	Important strengths but some areas for improvement. – Medium to low risk.
Performing excellently	Major strengths. Minor or no

recommendations. A good example of internal control. – Low risk.

After the assurance level is given the following paragraph must be included in all reports where an assurance level is given:

**REASONABLE ASSURANCE**

In giving this assessment, it should be noted that assurance cannot be absolute. The most that an Internal Audit service can provide is reasonable assurance that there are no major weaknesses in the framework of internal control. The performance of internal audit work is not, and should not be taken as, a substitute for management's responsibilities for the application of sound management practices. It should be emphasised that the responsibility for a sound system of internal controls, and the prevention and detection of fraud and other irregularities, rests with management. The work of Internal Audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity.

**10.5 Recommendation Action Plan**

The Recommendation Action Plan should list all the recommendations made and include a grading of the priority of recommendations - high, medium or low. The Action Plan provides space for the client to sign up to time scales for implementation. It should be recognised that on occasions high priority recommendations may not practically be implemented quickly and the time scale may need to reflect this. Conversely some low priority recommendations can be implemented immediately with little or no inconvenience.

**10.6 Appendices**

An electronic copy of the Working Programme will be provided to the Service Manager with the draft report to provide additional evidence. The Working Programme lists key objectives, expected controls, risks, testing and observations. This will be made available to others with the final report on request.

Only attach additional appendices where more explanation or an illustration is needed. Attach copies or scans where appropriate by the use of hyperlinks in the Working Programme.

## **10.7 Review of Draft Report**

During the course of any audit, Auditors will provide verbal progress reports to the IAM. On conclusion of an audit, a formal written Draft Report will be prepared in the prescribed manner. The IAM will review all Draft Reports and associated the Working Programme and discuss the report in detail with the Auditor concerned.

## **10.8 Issue of Draft Report**

Following the IAM's approval, the Draft Report will be e-mailed to the Service Manager and Head of Service together with a copy of the Working Programme. The Auditor will make an appointment for a **closure meeting**, which will be held approximately one week after the issue of the draft report.

Draft Reports must be issued within 10 working days of completion of the audit fieldwork.

## **10.9 Closure Meeting**

This meeting will provide a forum to discuss the details of the report and highlight the important observations and recommendations. Such discussions improve the relationship between Audit and the client and the initial response of the client may suggest further areas for investigation. The Service Manager will have the opportunity to confirm that the body of the report is factually correct and will also be asked to respond to the conclusions and recommendations, advising what action they propose to take.

## **10.10 Responses Received**

Following receipt of management comments, amendments can be made, if necessary, to the Draft Report. If appropriate, the report can include "officer comment" received from management. Adverse comments should be discussed with the IAM and if necessary further meetings can be arranged with the client.

The Auditor must ensure that all responses to Draft Reports are received within 10 working days of the report being issued.

## **10.11 Issue of Draft Final and Final Report**

Once the Draft Report has been amended, including agreed

action and action by date against each recommendation this should be saved as a "Draft Final Report".

This step was introduced following issues where the Assistant Director and/or Director did not agree with comments that the manager had made but they had not had a chance to comment before the final report stage. Having this step allows them to see the report and make amendments or comments before the report is issued to Councillors.

The Draft Final Report should be reviewed by the IAM and then issued to the Service Manager, Head of Service/Senior Head of Service. They should be informed that if no further comments are received within 10 working days then the report will be issued as Final in its current state.

The Final Report can then be formally issued by e-mail to the Service Manager together with a Client Satisfaction Survey. A copy of the Final Report should be sent to the relevant Head of Service/Senior Head of Service, s151 Officer, Chair of the Audit and Governance Committee and Portfolio Holder for Finance. A bcc copy must also be sent to the external auditors. Recipients of the Final Report should be advised that a copy of the Working Programme, which provides detailed observations, is available on request.

On receipt of the completed satisfaction surveys any adverse comments must be followed up in order to improve the service given and to ensure good client/auditor relationships are maintained.

Once the Final report has been issued, the spreadsheet of audits for the current year must be updated. Discuss with the IAM when a follow up is required, diarise accordingly and enter the date onto the spreadsheet.

It is essential that all Final Audit Reports are issued within 10 working days of receipt of all responses to the Draft Report. Any further delay will weaken the impact of the report and possibly hinder implementation of recommendations.

## **10.12 Follow-up Procedure**

Each audit report contains a schedule setting out an agreed action plan for management to implement. This will form the basis of a follow-up review or visit aimed at reviewing the implementation of agreed recommendations. Where there are fundamental issues a scheduled visit will be undertaken.

Audit reports should be followed up within a reasonable timescale after the issue of the Final Report. The timescale will be agreed with the IAM and will depend on the findings and recommendations of the review. The follow up will be carried out in the manner prescribed by the IAM and sufficient work should be carried out until a satisfactory conclusion is reached. Follow-up work should be documented and cross-referenced to the original working programmes.

The results of the follow up must be communicated to all those to whom the final report was issued using the updated final report document or a memo format if the follow up is small.

It is preferable that a draft follow up be sent out to allow managers/Heads of service to know what is being reported. Issue the follow up with a covering email stating that the report will be issued in 5 working days unless a response is received.

Where agreed recommendations have not been implemented these must be reported to the IAM and they will be reported to Audit and Governance Committee.

The IAM should ensure that the findings of audits and follow ups are used to inform the planning of future audit work.

### **10.13 Response of Management**

If corrective measures have been agreed at the time of the audit, Internal Audit must confirm that they have been implemented. Whilst Audit cannot insist upon the implementation of all its recommendations, it is the duty of Audit to ensure that the eventual decision on a report has been taken deliberately by management, with full understanding of its significance.

Provided all audit work undertaken, including the report, has been documented and placed on the audit file, Audit are protected from any adverse criticism that may arise from external audit or inspection sources, on the non-implementation of measures previously recommended.

### **10.14 End of Audit**

The end of an audit will normally give rise to a variety of matters which may need to be brought to the attention of the client and the Auditor should proceed as outlined previously in

the report stage and clear all outstanding matters.

The client's premises should be left in the same order as at the start of the audit and all books, records and documents borrowed for the purpose of the audit should be returned.

The Auditor should ensure that at the conclusion of the audit the staff involved are thanked for their time, co-operation and assistance.

## **11.0 TYPES OF AUDIT**

### **11.1 Systems Based Audit**

The auditor's prime role is to review the internal control system and report upon the adequacy of controls. The principal mechanism by which this is achieved is by undertaking systems-based audits. This represents agreed best practice from a professional audit service.

Conduct of an audit using this methodology enables us to:

- assess how internal controls are operating in a system, thereby forming a view on whether reliance can be placed upon the system;
- provide management with assurances that systems are adequately meeting the purposes for which they were designed;
- provide constructive and practical recommendations to strengthen systems and address identified risks;
- use findings to feed into an overall opinion on the control framework, thereby fulfilling S151 responsibilities;
- furnish appropriate evidence for external audit and other review agencies.

Standard documentation exists to help guide the auditor through the systems-based audit process, the main elements of which are set out below.

#### **Stage 1**

Identification of the nature and scope of the system to:

- define the boundaries
- define the type of system



- identify the inputs to the system
- identify functional areas and processes
- identify the outputs and purpose of the system.

All this should be achieved during the preparation stage as part of the process of developing the audit brief.

## **Stage 2**

Determination of control objectives:

- this shows the purpose of the control, not the control itself;
- the objective indicates the aim of the activity, not the means by which the control is achieved.

It is important to focus upon key control objectives. A series of five standard objectives has been identified for all systems and these should always be included. It is likely that there will only be a small number of additional system-specific key objectives. As a rule of thumb, if you reach 10 key objectives (including the standards), it is likely that either the systems boundaries have been too widely drawn or that you have included secondary objectives.

The standard objectives are as follows:

<b>Standard 1</b>	Achievement of organisational objectives.
<b>Standard 2</b>	Ensuring economical and efficient use of resources.
<b>Standard 3</b>	Ensuring compliance with established policies, laws and regulations.
<b>Standard 4</b>	Safeguarding the authority's assets and interests from losses of all kinds, including those arising from fraud, irregularity and corruption.
<b>Standard 5</b>	Ensuring the integrity and reliability of information and data.

## **Stage 3**

Identify expected controls to meet control objectives. At this point of the audit (which is essentially the end of the desktop stage of work and before going to the client to undertake the subsequent phases of the audit), the supervising auditor

should sign off the objectives and expected controls. For the first three stages, unless this is a totally new area, much of the required information will be held on the existing audit files for the system.

#### **Stage 4**

Review the system against the expected controls. Gather information to document the system and confirm understanding by walk-through testing. Methods for documentation can be:

- pure narrative
- flowchart
- detailed
- process with combined narrative.

Pure narrative should generally be avoided, as it is much more difficult to ensure it is clear and logical and it is harder to spot gaps in systems knowledge.

#### **Stage 5**

- appraise the stated controls against control objectives;
- evaluate adequacy of controls against objectives
- look for 'gaps' and assess risk and materiality where controls are absent;
- consider whether there are compensating controls;
- consider whether controls are excessive or superfluous.

#### **Stage 6**

Test the operation of controls in practice through compliance and substantive tests.

#### **Stage 7**

Evaluate test results.

Having done this, decide whether further work or testing is necessary. At this stage, the Auditor should ensure matters are fully discussed with the IAM and that review of the work is undertaken.

## **Stage 8**

Draw conclusions and report.

Although systems-based audit will form the normal approach, there are a number of areas where it is not readily applicable. These include:

- where the number of transactions is low;
- where the transactions can be fully checked to an independent source;
- for interim audits of major systems when it is possible that only testing will be necessary;
- where the system is known to be so poor that control evaluation is not appropriate;
- for fraud investigations;
- for VFM reviews.

Details of expected controls and other useful information can be drawn from a number of sources, including the CIPFA *Systems-Based Auditing Control Matrices* publication.

### **11.2 Probity and Regularity Audits**

These audits are undertaken on a rolling cyclical programme, with the frequency of review determined by an assessment of risk, and are designed to ensure the proper administration of the authority's affairs. They are, in general, establishment audits where the propriety, accuracy and recording of all transactions, and the proper function of the main systems in operation, are tested by audit staff by means of detailed examination of individual transactions to ensure that each is:

- valid;
- properly authorised;
- intra vires.

The objective of the audit is not only to discharge the Proper Officer's statutory S151 responsibility but also to provide an assurance to client management on the proper and effective administration of their area of responsibility. This is particularly relevant where the main elements of control are exercised at a local level.

## 11.3 Value for Money Audit

The term value for money (VFM) is used to describe the combination of economy, efficiency and effectiveness with the authority. The 3Es, as they are commonly known, can be described as:

- *Economy* is the study of purchasing goods or services of the quality desired at the best possible price.
- *Efficiency* is the relationship between inputs and outputs and this measures the use of goods and services towards a desired output.
- *Effectiveness* measures the relationship between outputs and objectives. It is a measure of the extent to which the authority's outputs, policies and procedures achieve the desired objectives.

Improving VFM is therefore a key objective for Eastbourne Borough Council. The primary responsibility for achieving good VFM lies with management, but Internal Audit has a key role in helping to discharge this responsibility.

VFM is an integral part of every piece of audit work. Internal Audit is uniquely placed through its independence, professional expertise and right of access to every part of the authority and all aspects of its operation to recognise and promote VFM.

The role of Internal Audit in relation to VFM is twofold:

- as a fundamental part of the audit review, the systems and controls established by management to secure VFM will be examined and evaluated;
- auditors may initiate, conduct or participate in special VFM reviews.

Just as a systems review may generate VFM recommendations, a VFM review may initiate systems changes. The scope for undertaking VFM reviews will be determined by the audit planning process. Whilst each review will be unique, it can be broken down into a series of logical steps:

- Identify the area for review. This may be identified by Internal Audit, based upon knowledge and experience, be requested from elsewhere within the authority, or be stimulated by activities outside the authority. Areas that are suitable for review may be indicated by the absolute level of spend or known or perceived issues with service

provision or costs.

- Gather information from all available sources, thinking more widely than just financial and organisational records. The Internet, professional bodies, trade associations and other authorities' experiences are all valuable sources.
- Establish the true scope of the function or activity, including levels and patterns of provision.
- Compare levels of spending and activity over time and against available comparators.
- Consider the scope for varying the style or nature of service delivery – don't be afraid to think the unthinkable, the key questions being 'why?' and 'what if?'
- Make recommendations on alternative approaches and identify the cost associated with each option.

It is important to establish good relationships with those responsible for the service and to check regularly on your understanding of the process, your assumptions and the viability of the proposals.

#### **11.4 Certification Audit**

Grant claims are usually the province of external auditors. However, there are occasions where Internal Audit has legitimately become involved in the audit of claims, returns or accounts, for example government returns, grants and European funding claims.

The general principles for these types of validation and verification work are as follows:

- Determine whether it is a one-off or an annual/periodic statement that is being reviewed. If the latter, then compare the current return to the previous one to ensure any balance transfers have been properly performed and that significant variations between periods can be explained.
- Set levels for materiality (usually based on the total values involved) and in any checking be aware of those limits.
- In choosing sample transactions for validation, select

those that are largest and/or most common. Choosing the largest will help give greater assurance in a shorter length of time (if four transactions represent 90% of the value, it's best to look at these ones). Choosing transactions of a common type will help determine that proper process has been followed (if 80% of costs relate to travel, and a sample is checked and shown to have been treated correctly, this gives a greater level of confidence in the remainder).

- Consider the purpose and user audience for the certification together with any standard wording or statements that may be required. Consider also whether the body concerned has set out requirements or guidance on checks to be undertaken. These matters will influence the extent and nature of the testing to be undertaken.

The standard requirements relating to working programmes and review apply.

## **11.5 IT Audit**

The CIPFA *Computer Audit Guidelines* define IT Audit as: "the application of auditing skills to the technological aspects of an authority's business processes. It embraces the independent reviewing and testing of the authority's practices and procedures relating to:

- the secure provision of business processing
- the processes for developing and acquiring new systems and facilities
- the economy, efficiency and effectiveness of the use and exploitation of IT facilities.

All auditors should be familiar with the broad concepts of the application of technology to the authority's primary business activities. This includes an understanding of, and an ability to use, technology to assist in the audit processes. The increasing complexity and diversity in the application of technology means that management in most organisations will need to call upon more specialised skills for at least a part of their activities if they are to demonstrate their ability to:

- support their objectives of maximising their investment in IT
- empower the audit function to work professionally and competently in a computerised environment."

IT auditors will be concerned with:

### **IT Strategy and Policies**

The review of the strategy and policies provides an overview of IT within the authority and helps to identify areas of greatest risk. In such a fast-growing area of activity, it is necessary to maintain a very close liaison with IT professionals to ensure awareness of all developments, such as the potential growth in E-commerce.

### **Systems Development Controls**

The earlier that auditors can advise on controls within IT systems, the easier they will be to implement and the more effective the audit input. Auditors will also be interested in the control framework of the project itself.

### **Application Controls**

Specialist IT auditors should be involved in the audit process and provide support as follows:

- examination, testing and evaluation of computerised controls in live application systems
- examination and evaluation of the technical documentation supporting the computerised elements of the system
- downloading and testing data files through the use of interrogation packages.

### **Environmental Controls**

There are many activities within the IT environment where Internal Audit needs to evaluate the effectiveness of controls:

- resource management
- technical support
- business continuity
- security.

The environment within which IT systems operate affects all applications and can therefore provide a degree of assurance over all applications.

### **Infrastructure Controls**

The infrastructure possibly affects all users and includes the

network and servers. The security, integrity and availability of the infrastructure are of prime interest to IT auditors. This will also include access to the Internet, which requires close control.

### **Office Systems Controls**

End-user developed systems are of concern as they may:

- not comply with the IT strategy
- not provide adequate security
- use illegal or unauthorised software
- be managed by untrained staff.

### **Legislation**

There are a number of pieces of legislation that impact directly on the IT environment which require auditors to confirm compliance. Those that have a direct impact on IT and consequently the audit of IT include:

- Data Protection Acts 1984 and 1998
- Computer Misuse Act 1990
- Copyright, Designs and Patents Act 1988
- Telecommunications (Fraud) Act 1997
- Obscene Publications Act 1959
- Telecommunications Act 1984
- Protection of Children Act 1978;
- Criminal Justice Act 1988
- Protection from Harassment Act 1997
- Sex Discrimination Act 1975
- Race Relations Act 1976
- Human Rights Act 1998
- European Convention on Human Rights
- Public Interest Disclosure Act 1998
- Regulation of Investigatory Powers Act 2000.

## **11.6 Control and Risk-Assessment**

Various labels have been attached to the process of management appraisal of control systems, control self



assessment (CSA) and control risk self-assessment (CRSA) being the most common. The definition adopted by CIPFA is:

“...a formalised, documented and committed approach to the regular, fundamental and open review by managers and staff of the strength of control systems designed to achieve business objectives and guard against risks within their sphere of influence.”

*It's a Risky Business*, CIPFA, 1997

CRSA is a structured approach that allows individual staff members and line managers to take part in reviewing existing controls to assess their adequacy and, if appropriate, to make recommendations to improve them.

The key factor is the involvement of line management and staff – the auditees – in assessing the controls that apply to their day-to-day work, and in setting new or modified controls. They take an active part and, if the process is successful, become ‘owners’ of the controls.

## **11.7 Consulting**

The Internal Audit function is able to undertake consulting engagements as part of its work plan for the year. However, it must be ensured that these assignments are not carried out to the detriment of the governance reviews.

Consulting assignments must be requested in time to be considered as part of the process of designing the audit plan for the year. Any requests received after the plan has been agreed can only be undertaken with the agreement of the Corporate Management Team and the Audit and Governance Committee.

To begin the assignment a meeting must be held with the senior manager/head of service to discuss and agree the objectives for the assignment. Once the objectives are agreed the scope of the work must be discussed and agreed. The scope must be enough to be able to meet the objectives but not go beyond this. The work to be undertaken will be dependent upon the objectives and scope agreed.

The auditor must keep in mind risks and control issues as this work is undertaken and report any issues separately to the senior manager/head of service and the Internal Audit Manager.

On completion of the assignment a report will be written and the conclusion must demonstrate how the work has met the objectives set. The report should also detail any recommendations made.

The reporting and follow up procedures will be the same as for any other audit review,

## **12.0 REVIEWING THE AUDIT FUNCTION**

**12.1** The IAM and individual auditors must ensure that they and their work are in compliance with the Public Sector Internal Audit Standards (PSIAS). A copy of which is held on the section.

**12.2** An annual self assessment of the audit function against the (PSIAS) will be carried out and the results reported to the Audit and Governance Committee.

**12.3** The IAM will meet with the Audit and Governance Committee on a quarterly basis to report on work carried out against the annual plan, findings which need to be brought to the committee's attention and any failure to implement agreed recommendations within reasonable timescales.

**12.4** The IAM should carry out a strategic survey of quality with customers to inform the process of audit and to ensure the function is providing added value and assisting the Council to achieve its objectives.

**12.5** The IAM should complete performance figures against agreed targets and report these to the Section 151 officer.

**12.6** The IAM should instigate and undertake a Performance Management and Quality Assurance programme for the Audit Function.

## **13.0 THE AUDIT OPINION**

**13.1** The IAM will provide an annual report to the Section 151 Officer which will include the following:-

- Opinion on the overall adequacy and effectiveness of the control environment;
- Disclosure of any qualifications to the opinion with reasons for the qualification;

- Presentation of a summary of the work from which the opinion was derived;
- Draws attention to any issues relevant to the preparation of the Annual Governance Statement;
- Comparison of work undertaken against the annual plan and summarises the functions performance against targets;
- Comment on compliance with the standards of the code;
- Comment on quality assurance measures carried out within the function.

APPENDIX 1

Internal Audit					
Corporate Reference	Record Status	Function / Function Description	Type of Record	Retention Action	Legislation/ Regulation
FSSerIA		Audit reports (including interim)	<ul style="list-style-type: none"> <li>• Routine</li> <li>• Financial System</li> <li>• Computer</li> <li>• Contract Audits</li> <li>• VFM Audits</li> </ul>	Keep for 3 years before considering destruction	
FSSerIA			<ul style="list-style-type: none"> <li>• Special Investigation Audits</li> <li>• Examination of long-term contracts</li> </ul>	Keep for 6 years before considering destruction	
FSSerIA		Audit Reports and supporting documents	Electronic <ul style="list-style-type: none"> <li>• Key Control Objectives</li> <li>• Working papers</li> <li>• Testing results</li> <li>• Witness Statements</li> </ul>	Keep for 3 years before considering destruction	
FSSerIA			Paper Records <ul style="list-style-type: none"> <li>• Key Control Objectives</li> <li>• Working papers</li> <li>• Testing results</li> <li>• Witness Statements</li> </ul>	<b>Reviewable</b> Destroy records as they become obsolete or are no longer required.	
FSSerIA		Report papers used in the course of a special investigation that leads to prosecution.		Keep for 6 years after any legal proceedings have concluded.	
FSSerIA		Programmes / plans / strategies	<ul style="list-style-type: none"> <li>• Information Security Strategy</li> <li>• Audit Plan</li> </ul>	Keep for 1 year before considering destruction	
FSSerIA		Operational/Policy Records	<ul style="list-style-type: none"> <li>• Internal Audit Guides</li> <li>• Manuals and guides relating to departmental procedures</li> <li>• Local auditing standards</li> </ul>	<b>Reviewable</b> Destroy records as they become obsolete or are no longer required.	

### **AUDIT PROCESS CHECKLIST**

- Start an electronic folder in the Internal Audit shared drive under the correct letter. The folder should be given the name of the audit if such a folder does not currently exist. If one does then a folder should be set up within that folder. The new folder should be called simply the name of year e.g. 2013-14. Within this folder other folders should be set up to hold the work. Suggested folder names are Testing, Reports, Emails etc. Try to keep as much work as possible within folders to ensure that it is easy to find.
- Enter auditor name onto spreadsheet entry for the relevant audit.
- Undertake planning and research.
- Draw up a draft "Audit Brief" and email it to the relevant manager along with a meeting request for an introductory meeting. Include a copy of the form "What you can expect from us". Retain a copy of the email in the electronic file.
- Discuss the brief (and any already prepared working programme) with the manager.
- Complete audit brief and working programme (if altered or new) and send to the manager. Retain a copy of the email sending the working programme to the manager.  
  
(NB keep on file notes from any meetings or emails relating to the audit brief and the working programme).
- Arrange interviews and times for testing.
- Carry out interviews and testing.
- Agree any extra time needed with the Internal Audit Manager.
- Write up the working programme.
- Enter date fieldwork completed on the spreadsheet.
- Write up the draft report. Including a Provisional Assurance Level.
- Internal Audit Manager to review draft and file contents and suggest amendments/extra testing. IAM to complete Quality Assurance checklist.
- Send draft to manager and their manager (not Head of Service) of the relevant section. Retain a copy of the email on file.

## APPENDIX A

- Enter draft report date on spreadsheet.
- Arrange meeting with manager for 10 working days later for closure meeting.
- Attend closure meeting and discuss audit and recommendations.
- Update spreadsheet with date of closure meeting and date final response to report received.
- Write up draft final report (copy draft as final and add comments and alter form to read "draft final"). IAM to see final report before it is sent out in order to complete the Quality Assurance Checklist.
- Send a Draft final report to the manager, their manager, and Head of Service stating that if no comments are received within 10 working days the report will be issued as Final. Retain a copy of the email on file.
- After 10 working days save a copy as Final. Save one copy of Final as a PDF document and send this out to: manager, their manager, Head of Service, Section 151 officer, Chair of Audit and Governance Committee, Portfolio Holder for Finance and the Shadow Portfolio Holder for Finance. bcc or separate email to external auditors at: [janine.combrinck@bdo.co.uk](mailto:janine.combrinck@bdo.co.uk) Retain a copy of the emails on file.
- Enter date final report issued, number of recommendations and date for follow up on spreadsheet (3-4 months).
- Put reminder on Outlook to carry out follow up.
- Issue client satisfaction survey to manager and ask for a response in 10 days. Retain a copy of the email sending the survey on file.
- Enter date satisfaction survey returned on spreadsheet and complete days taken field.

*NB. Ensure that the spreadsheet is updated at all stages.*

**FOLLOW UP**

- On completion of follow up discussions/ testing the updated report (which should now be headed "Follow Up") must be passed to the IAM to check.
- The "provisional assurance level" must be amended to "final assurance level" and the wording altered to reflect the level at the time of the follow up.
- Follow up report to be sent in PDF format to the Manager, their manager, Head of Service, s151 officer, Chair of Audit and Governance Committee, Portfolio Holder for Finance and (as a BCC) to the external auditors.
- If any recommendations remain outstanding then schedule another follow up for a further 3-4 months time.
- Update spreadsheet to show number of outstanding recommendations and reasons. Update follow up due date if further follow up to be carried out.

**CLIENTS – WHAT YOU CAN EXPECT FROM US**

Updated January 2014

- If we have a review of your area in our annual plan we will contact you to agree when to begin the audit.
- We will assess the service under review and produce a working programme.
- An introductory meeting will be arranged to discuss the scope of the review. This enables you to tell us any areas of concern you particularly wish us to review. At this stage the working programme can be modified and agreed. We will also ask you to tell us who we should be talking to for the various elements of the audit.
- During the audit the auditor will be talking to the staff directly involved in the work being reviewed and testing the work. If any important issues are discovered the auditor will raise these with you immediately.

If the auditor does not report to you it probably means that there are no significant issues. If you want an update please just ask the auditor. Make it clear if you want regular updates, regardless of the level of findings, and we will oblige.

- Once the fieldwork has been completed the auditor will write up a draft report which will be sent to you to review along with the working programme which will now contain all the observations made during the review. Please check these for factual accuracy and to consider the recommendations made.
- The auditor will book a closure meeting with you for about one week after the issue of the draft report. At this meeting please point out any factual inaccuracies that you have discovered. The auditor will discuss the recommendations with you and note your comments.
- Your comments, and any agreed amendments, will be incorporated into the report and this will be issued as a "draft final" to yourself, your manager (if applicable), and Head of Service stating that if no comments are received within 10 working days the report will be issued as Final. Once issued as final this report will be passed to you, your line manager (if appropriate), your Head of Service, the Section 151 Officer, the Portfolio Holder for Finance and the Chair of the Audit and Governance Committee. The Provisional Assurance Level will be reported to the Audit and Governance Committee.
- You will be sent a client satisfaction survey along with your final report. Please complete this form and return it to us within a week.



## APPENDIX B

Your comments allow us to see if we are providing an adequate service and, if not, to review and amend our procedures as necessary.

- A follow up review will take place about 3 months after the issue of the final report. The auditor will contact you to discuss how the agreed recommendations have been implemented. Some testing may be required to provide assurance that the recommended controls are in place. A report on the follow up will be issued to the same officers/members to whom the final report was sent . Please note that any high or medium risk recommendations that have not been implemented will be reported to CMT and the Audit and Governance Committee for review and further follow up reviews undertaken to ensure that these are implemented later.

Please remember that Internal Audit is a management tool to be used to provide you and the Council with assurance that controls in your area are in place and working adequately. We are also here to add value to the Council by ensuring that risk is mitigated and that value for money is obtained from all systems. We can also provide advice and help share best practice across the departments.

Internal Audit are also able to offer consultancy. Work can be undertaken in specific areas with objectives and scope set completely by the commissioning officer, with input from the auditor. Consulting engagements should be requested before the start of the financial year in order that they can be considered for inclusion in the annual audit plan.

## **AUDIT BRIEF**

### **HOUSING BENEFITS (QUALITY ASSURANCE)**

**Scope** (*e.g. this review checks A but not B*)

This audit review covers the process of quality checking of claims and not the processing of claims.

**Objectives** (*key control objectives*)

- To ensure a quality checking regime is in place;
- To ensure results of checking are reported and monitored;
- To ensure that errors are reported back to assessors and necessary retraining given.

**Strategic Position** (*how the audit meets Council objectives*)

Council Priorities 06/07

- Focused attention to customer care standard – *by ensuring that claims are processed accurately thereby making correct benefit payments*
- Improve performance for Housing Benefits – *by ensuring error rates are reported, monitored and improved*

Council Values

- Delivering excellent customer service – *by ensuring that claims are processed accurately thereby making correct benefit payments*

**Responsibility** (*who will be undertaking the review – list all if more than one*)

The review will be undertaken by A N Auditor

**Time Frame** (*"between" dates to be agreed with management*)

The review is proposed to take 10 days between July and August 2007

# Agenda Item 14

<b>Body:</b>	AUDIT AND GOVERNANCE COMMITTEE
<b>Date:</b>	12 MARCH 2014
<b>Subject:</b>	Draft internal audit plan for 2014/15
<b>Report Of:</b>	Internal Audit Manager
<b>Ward(s)</b>	All
<b>Purpose</b>	To propose an internal audit plan for 2014/15
<b>Recommendation(s):</b>	To consider and adopt the proposed plan.
<b>Contact:</b>	Jackie Humphrey, Internal Audit Manager, Telephone 01323 415925 or internally on extension 5925. E-mail address jackie.humphrey@eastbourne.gov.uk

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## **1.0 Introduction**

- 1.1 The internal audit function contributes to the Council's overall governance arrangements through the audits carried out in the annual internal audit plan.
- 1.2 The annual audit plan includes a number of managed audits which are required to be carried out by the external auditors and upon which they place reliance for the work of internal audit.

## **2.0 Reviewing the Audit Universe**

- 2.1 The Audit Universe is the list of all areas around the Council which can be reviewed. With the work on the Future Model progressing it was considered timely to fully review the list to ensure that it was still fit for purpose.
- 2.2 Meetings were therefore held with Heads of Service to discuss the areas listed which fell within their departments. Each was considered for its relevance and any new areas to be added to the list were also discussed.
- 2.3 The opportunity was also taken to discuss any specific pieces of work that Heads of Service required for consideration in the annual audit plan.

## **3.0 Production of the draft audit plan for 2014/15**

- 3.1 The internal audit plan for each year begins by calculating the number of audit days available.
- 3.2 There are twelve "managed" audits which have to be undertaken every year in order to satisfy the external auditors. These are:-

- Benefits
- Cash and Bank
- Council Tax
- Creditors

Debtors  
Housing Rents  
Main Accounting (Financial Ledger)  
NNDR  
Payroll  
Treasury Management  
IT  
Theatres

- 3.3 As well as these core audits, work is carried out annually on verifying the NNDR 3 and Benefits Subsidy Claim and time must also be set aside in the audit plan for unplanned work (contingency), advice, special investigations, follow ups, work on the National Fraud Initiative etc.
- 3.4 Once the days necessary to carry out the work listed above are calculated the figure can be taken from the "auditor time available" and the remaining figure is the number of days available for carrying out other audits specifically for the Council. These calculations can be seen as part of Appendix A
- 3.5 In order to produce the annual internal audit plan a risk assessment of the areas listed in the audit universe is carried out by the Internal Audit Manager. Weighting factors used are :-
- The number of transactions in the system;  
System changes;  
Internal control score (evaluated from last review);  
Length of time since last review.
- 3.6 The completed risk assessment can be found at Appendix B. This has been sorted by level of risk and then by the date the last audit review was undertaken.
- 3.7 As a general rule high risk areas will always be included in the annual plan. However this year this is not the case. A review of Catering was only carried out toward the end of the last financial year and is still subject to Follow up reviews. The review of the Redoubt was carried out in February 2012 but when last followed up there were still recommendations outstanding. It is considered appropriate to carry out a follow up of the outstanding recommendations to see where they currently stand and a decision on whether further work needs to be carried out can be considered at that point.
- 3.8 The majority of medium and low risk areas which were last audited before 2010 have been included in the plan in order to ensure that their last evaluated risk level is still appropriate.
- 3.9 During the discussions held with Heads of Service certain areas for review were suggested/requested and have also been included in the plan.
- 3.10 One other audit has been included in the plan which does not fit any of the above criteria. This is Risk Management and has been included as it is considered best practice to review this area regularly as it is an important part of the whole Corporate Governance process.
- 3.11 The draft audit plan for the new year which was drawn up using the process

described above was taken to CMT for discussion on the 4<sup>th</sup> February 2014. No changes were proposed. This plan can be seen at Appendix C

#### **4.0 Consultation**

4.1 Heads of Service separately and the Corporate Management Team.

#### **5.0 Resource Implications**

5.1 Financial – Delivered within the approved budget for Internal Audit

5.2 Staffing – None directly as a result of this report, staff are engaged in risk matters on an ongoing basis.

#### **6.0 Other Implications**

6.1 None

#### **7.0 Summary of Options**

7.1 None

#### **8.0 Recommendation**

8.1 To consider and adopt the proposed plan.

**Jackie Humphrey**  
**Internal Audit Manager**

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#### **Background Papers:**

The Background Papers used in compiling this report were as follows:

*None*

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APPENDIX A

<b>AUDIT RESOURCE FOR THE 2014/15 AUDIT PLAN</b>					
	Totals	Internal Auditor Manager	Revenues & Benefits Auditor	Internal Auditor	Computer Auditor (P/T Hrs)
<b>FTE POSTS</b>	3.60	1.00	1.00	1.00	0.60
<b>DAYS AVAILABLE</b>	936	260	260	260	156
<b>PLANNED AUDITS</b>					
Annual Governance Audits	129				
Grant Claims / National Fraud Initiative	100				
Audit Advice / Special Investigations	30				
Follow ups	30				
High Risk Audits	0				
Requests by CMT	60				
Medium Risk Audits	185				
Contingency	25				
Consultancy	25				
<b>Total Chargeable Days</b>	<b>584</b>				
<b>NON-CHARGEABLE TIME</b>					
Supervision and management	50	50			
Seminars and training	33	11	6	6	10
Team meetings	5	5			
Performance appraisals	0				
Strategic, Annual and Business Planning	5	5			
Annual Leave	97	27	27	27	16
Public Holidays	31	8	8	8	7
Concessionary Leave	7	2	2	2	1
Sickness	18	5	5	5	3
Monthly / Quarterly reports on Audit	10	10			
Maternity / Paternity leave	0				
Vacancies	0				
Admin / Reading / Elections	61	20	16	15	10
External Audit Liaison	15	10	5		
<b>Total Non-Chargeable Days</b>	<b>332</b>	<b>153</b>	<b>69</b>	<b>63</b>	<b>47</b>
<b>TOTAL RESOURCE REQUIREMENT</b>	<b>916</b>				
<b>TOTAL AVAILABLE DAYS</b>	<b>936</b>				
<b>RISK MANAGEMENT</b>	<b>20</b>				

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Appendix B - Risk Assessment

Service Name	Audit Type	Transactions Score	Weighting x 3	Internal Control Score	Weighting x 3	System Changes Score	Weighting x 2	Risk Level	Planned Time	Last audited				
<b>HIGH</b>														
Redoubt	Review	5	5	2	34	20	Feb-12							
Catering	Review	4	5	4	35	10	Sep-13							
<b>MEDIUM</b>														
Planning System	Computer	3	5	3	30	10	NYA							
Customer Services/Postfield	Computer	1	5	3	24	10	NYA							
GIS System & LLPG	Computer	3	3	3	24	5	Apr-02	to be completed in 13/14						
Pest Control and Public Health Burial	Review	4	3	1	23	10	Jul-03							
Parks and Gardens	Review	5	3	1	26	10	Mar-04	Put together with downland as Open spaces						
Conferences & Group Travel	Review	3	3	2	22	10	May-04							
Homelessness/Temp Accommodations	Review	4	3	3	27	10	Jun-04							
Printing Services	Review	3	3	2	22	5	Aug-04							
Network Controls and Firewalls	Computer	3	3	3	24	15	Nov-05	Put with PC controls and File Controls as Government Connect						
Software Compliance	Computer	3	3	2	22	5	Dec-05							
Members (allowances/Interests/Support/hospit	Review	4	2	2	22	15	May-06							
Downland, Trees and Woodland	Review	3	2	3	21	10	Jun-06	Put together with downland as Open spaces						
Internet Controls	Computer	3	3	3	24	10	Sep-06							
Tourist Information Centre	Review	4	2	2	22	5	Nov-06							
Licenses - Entertainment & Taxi	Review	3	3	2	22	10	Mar-07							
PC Controls and File Controls	Computer	3	3	3	24	15	Oct-07	Put with Network controls and Firewalls as Government Connect						
CHRIS Computer System	Computer	3	2	3	21	5	Feb-08							
Events & Attractions	Review	5	3	2	28	15	Feb-09	Draft Jan 14						
Access to Information	Review	3	2	3	21	15	Aug-10							
Security of Data Movement	Computer	4	1	3	21	10	Nov-10							
Risk Management	Review	3	3	2	22	15	Dec-10							
Sports and Community Centres	Review	5	2	2	25	15	Jan-11							
Leasing & Licensing	Review	5	4	2	31	15	Mar-11							
Partnerships	Review	4	2	2	22	15	Aug-11							
Corporate Strategy/Priorities/Plan	Review	3	2	3	21	15	Aug-11							

## Appendix B - Risk Assessment

Insurances	Review	3	3	2	22	10	Sep-11						
Capital Programme	Review	5	2	2	25	10	Oct-11						
Procurement (Purchasing and contracts)	Review	5	3	2	28	20	Jan-12						
Development Control & S106	Review	4	3	2	25	15	Jan-12						
Cafi - General Ledger	Computer	5	1	3	24	4	Jan-12						
W2	Computer	5	3	4	32	10	Feb-12						
Cafi - Bank Reconciliations	Computer	5	3	4	32	1	Feb-12						
Housing (inc EHL contract)	Review	5	3	3	30	25	Apl-12						
Health & Safety	Review	5	2	3	27	15	Jul-12						
Devolved Budgets	Review	3	2	4	23	5	Jul-12						
SX3 - Northgate	Computer	5	1	4	26	10	Sep-12						
Theatres (Box office/FOH/ Marketing)	Review	5	2	2	25	15	Oct-12						
Officers Expenses	Review	4	2	2	22	20	Oct-12						
Asset Management	Review	5	3	4	32	20	Nov-12						
Cafi - Debtors	Computer	5	1	4	26	4	Nov-12						
Civil Contingency	Review	3	2	3	21	15	Nov-12						
Food Safety & Hygiene	Review	4	4	1	26	10	Feb-13						
Towner	Review	5	3	2	28	10	Mar-13						
Information Governance inc records management	Review	3	5	3	30	15	Apl-13						
Project Management Control	Review/Comp	3	3	3	24	15	May-13						
Cafi - Purchasing	Computer	5	1	4	26	4	Jul-13						
Cafi - Creditors	Computer	5	1	4	26	4	Jul-13						
Community Grants	Review	4	2	3	24	10	Jul-13						
Land Charges & Searches	Review	4	2	4	26	5	Aug-13						
Corporate Complaints	Review	3	3	2	22	10	Oct-13						
Civica ICON and KPR	Computer	5	3	2	28	15	Nov-13						
Human Resources (Pers/recruit/training)	Review	5	2	3	27	15	Nov-13						
Business Continuity Planning (Incl IT)	Review	3	2	3	21	15	Nov 13						
<b>LOW</b>													
Electoral Computer Sys.	Computer	3	2	1	17	5	Mar-04						
BACAS Crematorium System	Computer	3	3	1	20	5	Jun-04						
Fraud	Review	3	2	1	17	5	Mar-06						
ITFM Contract	Computer	3	1	1	14	10	Jul-08						
Car Parking inc. Parking Permits	Review	3	1	3	18	10	Sep-09						
Change Controls	Computer	3	2	2	19	5	Dec-09						
Performance Management	Review	3	1	3	18	15	May 10						
Economic Development	Review	3	2	2	19	15	Aug-11						



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<b>AUDIT RESOURCE FOR THE 2014/15 AUDIT PLAN</b>	
<b>ANNUAL GOVERNANCE AUDITS</b>	<b>2014/15</b>
Benefits	15
Cash and Banking	10
Council Tax	10
Creditors	15
Debtors	15
Housing Rents	15
Main Accounting	10
NNDR	10
Payroll	10
Treasury Management	10
ICT	4
Theatres	5
<b>TOTAL</b>	<b>129</b>
<b>GRANT CLAIMS / NFI</b>	<b>100</b>
<b>AUDIT ADVICE / SPECIAL INVESTIGATIONS</b>	<b>30</b>
<b>FOLLOW UPS</b>	<b>30</b>
<b>CONTINGENCY</b>	<b>25</b>
<b>CONSULTANCY</b>	<b>25</b>
<b>HIGH RISK AUDITS</b>	
	0
<b>TOTAL</b>	<b>0</b>
<b>REQUESTS</b>	
Shared Sports Facilities (note 3)	10
Rent Support Grants	10
Corporate Fraud (note 5)	10
Daily Cash Reconciliations at Venues (note 4)	5
Waste (Customer journey to contract)	15
Petty Cash (how this is dealt with at venues)	10
<b>MEDIUM RISK AUDITS</b>	
Government Connect (Network, PC and File controls and Firewalls)	10
Software Compliance	5
Internet Controls	10
Change Controls	5
Conferences and Group Travel	10
TIC (stock leaflets and cash handling)	10
Printing (note 1)	20
Members (allowances/interests/support/hospitality)	15
CHRIS	5
Elections Computer System	5
Homelessness/Temp Accommodation	10
BACAS Cemeteries System	5
Customer Contact (note 2)	10
Pest Control/Public Health Burial	10
Open Spaces (Parks & Gardens and Downland, Trees, Woodland)	15
Licences (Taxi and Personal)	10
Car Parking (Tickets and permits)	10
Planning System	10
Risk Management	10
<b>TOTAL</b>	<b>245</b>
<b>NON-CHARGEABLE TIME</b>	<b>332</b>
<b>OVERALL TOTAL</b>	<b>916</b>

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